# DOMINION OF CANADA

OFFICIAL REPORT

OF,

# DEBATES
# HOUSE OF COMMONS

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FIRST SESSION—EIGHTEENTH PARLIAMENT

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1936

CANADA

# House of Commons Debates

OFFICIAL REPORT

## Wednesday, April 22, 1936

The house met at three o'clock.

### CANADA SHIPPING ACT, 1934

Hon. C. D. HOWE (Minister of Marine) moved for leave to introduce Bill No. 53, to amend the Canada Shipping Act, 1934.

Mr. STEVENS: Explain.

Mr. HOWE: As most hon. members are aware, the Canada Shipping Act, a very extensive piece of legislation, although passed in 1934, is not yet in operation, due to the fact that it was considered advisable to allow the shipping interests of Canada reasonable time to become familiar with the changes proposed, and also to enable the Department of Marine to prepare the regulations called for by the act. The amendments now proposed are not very extensive, and are largely for the purpose of clarifying the intent and meaning of the 1934 measure and rendering it more effective in its application to the existing situation.

Motion agreed to and bill read the first time.

### BANK OF CANADA

Mr. THOMAS REID (New Westminster) moved for leave to introduce a bill to amend the Bank of Canada Act.

Hon. CHARLES A. DUNNING (Minister of Finance): Mr. Speaker, I respectfully suggest to your honour an examination of the bill as to whether it is within the competence of a private member to introduce a measure such as that proposed.

Mr. SPEAKER: I shall look into the matter.

Mr. REID: I think I might have been allowed to give the house an opportunity to know what the bill is.

Mr. SPEAKER: The hon. member may proceed to give his information.

Mr. REID: The objects of the proposed bill are, first, to allow the Bank of Canada to hold silver coin and bullion in conjunction with gold as a reserve against the note issue and deposit liabilities, and also to allow for the issue of silver certificates against the silver held in such reserve. Secondly, it is proposed to have the Bank of Canada purchase and hold any quantity or amount of newly mined silver when required by the minister so to do.

It will be remembered that at the London economic conference of 1933 Canada agreed to purchase 1,671,802 ounces of silver during the years 1935, 1936 and 1937. But under the provisions of the Bank of Canada Act, the bank, while called upon to purchase this amount of silver during those years, is prohibited from purchasing any greater amount than the 1,671,802 ounces, by mandatory order which states that the bank shall never be required to purchase more than this amount. The amendment proposed would make this amount the minimum instead of the maximum.

Mr. SPEAKER: I think my decision in this matter should stand until I shall have had an opportunity to look into the bill and determine whether or not it is within the competence of a private member.

Motion stands.

### QUESTIONS

(Questions answered orally are indicated by an asterisk.)

#### IMMIGRATION SOCIETIES

Mr. GAUTHIER:

1. Does the government pay subsidies to any immigration societies?

2. If so, in what cities do such societies carry on their operations?

Mr. CRERAR:

1. No.

2. Answered by No. 1.

## MOTIONS FOR PAPERS

ST. VALLIER STATION, QUE., POST OFFICE

Mr. ROBERGE (for Mr. Boulanger):

For a copy of all documents concerning the official inquiry by the Post Office Department into the charge made by Mr. Gerard Cadrin, mail contractor of St. Vallier Station, against the postmaster of said St. Vallier Station, of illegally opening mail matter.

For a copy of all correspondence passing between the postmaster of St. Vallier Station, on the one hand, and the Post Office Department and the postal superintendent at Quebec, on the other, with reference to the rural mail contractor at La Durantaye, county of Bellechasse, and especially the alleged purchase of postage stamps by the said rural mail contractor, from the St. Vallier Station post office.

HERVAY CHEMICAL COMPANY

Mr. ROBERGE (for Mr. Boulanger):

For a copy of all letters, telegrams, reports and other documents in the possession of the Department of National Revenue with reference to the claim of that department against the Hervay Chemical Company of St. Basile, Portneuf county, Quebec, for arrears of sales taxes.

Hon. J. L. ILSLEY (Minister of National Revenue): Mr. Speaker, if these papers were produced it would divulge the affairs of a private company or individuals, and my information is that it is contrary to the established practice of the Department of National Revenue to give such information. Therefore I would ask that this motion be dropped, or, if the hon. member proposing it (Mr. Boulanger) is not in the house, that it stand until he is.

Mr. SPEAKER: Dropped.

GRAND TRUNK RAILWAY SHAREHOLDERS

Mr. STEVENS:

For a copy of all correspondence passing between the hon. Minister of Railways and the Chairman of Grand Trunk Senior Stocks Company, Limited (representing shareholders of the Grand Trunk Railway), during the past six months, and more particularly a letter dated 18th February, 1936, from the said chairman to the hon. Minister of Railways.

Also for a copy of a petition addressed to the House of Commons and signed by W. A. deVere Forster, R. C. Hawkin, and others, on behalf of the first and second preference stockholders of the Grand Trunk Railway Company of Canada residing within Great Britain, and dated about 1930.

Hon. C. D. HOWE (Minister of Railways): Mr. Speaker, the affairs of the Grand Trunk stockholders in connection with the Canadian National Railways are before the privy council, and as far as I know the decision has not been handed down. I am of the opinion that the matter is sub judice, but I shall be glad to look into it and ascertain the exact position.

Motion agreed to.

## CANADIAN NATIONAL RAILWAYS

PROVISION FOR EXPENDITURE, INDEBTEDNESS AND THE REFUNDING OF MATURING OBLIGATIONS

Hon. CHARLES A. DUNNING (Minister of Finance) moved that the house go into committee at the next sitting to consider the following proposed resolution:

That it is expedient to bring in a measure respecting the Canadian National Railways, to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1936, and to provide for the refunding of certain maturing financial obligations.

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

Motion agreed to.

## PACIFIC SHIPPING CONFERENCE

On the orders of the day:

Mr. THOMAS REID (New Westminster): Mr. Speaker, I should like to direct a question to the Minister of Trade and Commerce (Mr. Euler). According to dispatches from Great Britain a conference has been called between the governments of Great Britain, Australia and New Zealand in regard to subsidized shipping on the Pacific ocean running between Australia, New Zealand, the United States and the Pacific ports of British Columbia. The trouble arises out of the keen competition of United States subsidized shipping, particularly that of the Matson line, which it is claimed is putting British steamships out of commission. As Canada is, or should be, vitally interested in what transpires in connection with this matter I should like to know if this country has been invited to participate in the conference, because I believe we should be fully represented.

Hon. W. D. EULER (Minister of Trade and Commerce): Mr. Speaker, an invitation has been received by the government to attend the conference to which the hon. member has made reference. The High Commissioner for Canada in London has been instructed to send a representative to the gathering.

## UNEMPLOYMENT

### ASSISTANCE FOR AGRICULTURAL SETTLEMENT AND REHABILITATION AND DEVELOPMENT OF NATURAL AND OTHER RESOURCES

Hon. NORMAN McL. ROGERS (Minister of Labour) moved the third reading of Bill No. 19, to assist in the relief of unemployment, the promoting of agricultural settlement and rehabilitation, and in the development, conservation and improvement of certain natural and other resources.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, before the bill receives third reading I should like to detain the house for only a very few moments. By standing order 38 the motion for third reading is debatable, and I am thereby permitted to speak.

At the outset may I say that I am greatly disappointed in the bill. In the first place, the title of the bill is not correct but, as I said on Monday, it may be changed in another place. In the second place, the bill does not give the employment commission in making agreements with the provinces, corporations and individuals the powers they should have. The functions of the employment commission which will carry out the terms of this bill and the preceding one are purely advisory. Time and again we find in the bills that they are "to advise and report" or "to report and advise." What are the unemployed going to do while all this advising is going on? The government has admitted that no concrete or definite plan by the commission can be secured for almost a year. In other words, we shall have to wait another year before any concrete developments or definite plans will be proposed. Then, when they are proposed, what will happen? The commission will report and advise the minister who, in turn, may reject their advice, the same as he may reject the advice of the officials of his own department.

I was pleased yesterday to note the showing of independence of three of the one hundred and seventy members of the party in office. There seemed to be an awakening as to what is going on, as to what people are saying, because we know that Ottawa never knows what the rest of the country is thinking. Those who are new members will have a rude awakening from their constituents. I say that they are elected here to function as members of parliament, and not to always sit still and do the bidding of their party or leader, or of the government or any other group. They are free citizens under a free constitution. Look at the way private government members in the old land criticize even government bills dealing with social matters and unemployment, and that sort of thing. Perhaps if in this house we had a measure for the relief of unemployment such as was introduced in England conditions might be different. We know that Great Britain is recovering faster than any other country, and its recovery is being brought about because the British people have attacked this great social disease in the practical and the 1936 way. Instead of a commission cure, a cure which will never amount to anything, they have adopted other means. Commissions have never cured anything in Canada since we have been a country. Hon. members have been elected as a commission of 245 members to deal with the problem, but we sit here day in and day out and do nothing about it.

With all due respect may I say that the government is one of conscientious Canadians, but I must add that the house must not be asked to pass Bill No. 19 without knowing the names of all the members of this sevenfold amen, this last word, so to speak, of the government commission on unemployment. We know who one of them is, Mr. Purvis, already named in advance under the new triumph of the present government of separatism. We used to have the King, the Senate and the House of Commons. Now announcements are made by order in council without reference to the sovereign or his representative in Canada. Before the bill is passed we should know how it will operate, because I believe there will be a conflict of law, and this Bill No. 19, with regard to its industries clauses, will wind up in the law courts. No doubt agreements with industries, individuals and corporations will be taken to court. Application for injunction can be made, because it is my opinion that parliament has no power to pass the bill now before us on account of the interference with property and civil rights in the provinces.

There are at present before the supreme court several bills—ten bills in all—dealing with subjects closely related to this new deal of 1935, and before this measure passes we should know what the Supreme Court of Canada has to say about such matters. No statement has been made about unemployment insurance, or the power of parliament to regulate trade and commerce which has been unregulated since confederation. That field is within the jurisdiction of parliament, and with the exception of some minor laws has been unexplored since confederation.

I for one do not propose to sacrifice my rights as a member of parliament. I know

the conditions of the industrial workers in the three ridings east of the Don river in Toronto. There is a proposal to appoint the president of an industry in my constituency as chairman of this commission, and about that matter I may have a word to say a little later on. In passing I may observe that he is a gentleman of ability, and I take this opportunity to pay tribute to his talents.

I wish particularly, however, to say a few words for the great mass of intelligent electors in Canada. I am speaking for those independent people in this country who are not interested in a solution of this problem along political lines. The great mass of electors who send members to this parliament wish us to reassert the supremacy of national over party interests in Canada, and they should compel us, their elected representatives, to discharge our duties as private members. They should make us function and do our duty in order to help rebuild the structure of our social and economic order.

The country is heartily sick of politics as it is played here. We want a new set of rules for the game. Nothing illustrates that point better than does Bill No. 19. Last night the hon. member for Témiscouata (Mr. Pouliot) asked the government if they were compelled to accept the recommendations of the commission and he received the reply that the government was not committed to that advice. May I point out that there is a rule of anticipation in the House of Commons. I would not have spoken on third reading had it not been for the action of the government on April 6 when, in the presence of about forty per cent of the members, a committee was set up to handle the railway problem, the greatest problem in Canada and one involving a deficit of about $60,000,000. Without notice in votes and proceedings the government shunted consideration of this important matter to another body; it passed the buck to the committee on railways and shipping. If I were to speak at length about this matter I would be ruled out of order, and further reference in the house will be deferred until the presentation of the committee's report.

What will happen if on May 1 there are demonstrations in the larger cities? And there are bound to be demonstrations. Those men will not read Thomas Carlyle; they will not quote Shakespeare as is done by hon. members opposite. They are going to ask this question: What have you been doing about unemployment? I hope the hon. member for Greenwood (Mr. Massey) will hear what I am saying, because he is interested in that part of the city where industrial workers are not getting proper treatment. For the balance of the session, if this bill No. 19 passes, whenever we propose anything constructive to relieve unemployment we will be ruled out of order under the anticipation rule. The preamble of this bill says that it is to foster agricultural settlement, and conserve and develop the natural resources, but in the whole bill from cover to cover, there is not one line about these great problems, and when this bill goes to the house of philology, as I call it, we shall see an awakening. This parliament is to blame.

I was very much interested in some of the remarks that were made by my hon. friend from Rosthern (Mr. Tucker) and my hon. friend from Vancouver-Burrard (Mr. McGeer) in connection with the plight of our municipalities. The municipalities are asking that something be done along these direct grant lines, and they have been looking to parliament for a long time in vain for direct aid for relief works. I agree with what those two hon. gentlemen said in that respect, and on this government, as long as it is the government of the day, lies the responsibility of solving these problems in a practical way. We on this side of the house have made suggestions, but the government will not listen to them. They have millions and millions of dollars to give to the railways and to the provinces for unemployment relief, and the province deducts often ten or fifteen per cent for overhead and other expenses instead of giving the whole grant directly to the municipalities. So, Mr. Speaker, I was very glad to hear those two hon. gentlemen support me in my contention. I believe that instead of Bill No. 19 we should have an up to date, long term policy for providing full time employment, and if the Liberal party—and they are the government of the day—cannot find a solution, what will happen in ten years will be that the socialists will come into power in this country. That is what is going to take place. Sir Oswald Mosley calls the present state of affairs "a slow crumbling into ruin." But England did not wait for "a slow crumbling into ruin" to develop. The government acted promptly. It tackled this problem in the House of Commons. As far back as 1909 the British government introduced unemployment and sickness insurance, and established a system of pensions and of labour exchanges. A census of labour was made. We have never had a census of labour, and it is all guesswork how many unemployed we have in this country, and how many of those on relief are employable or not. England did not wait for this so-called slow crumbling into ruin. The British people

adopted a housing and construction policy; they tried to balance their budget; they adopted a policy of preserving their home markets by tariff concessions as much as possible for their own workmen by protection and by reforestation and a suburban policy, and as a consequence they have tided over the depression and have become to-day one of the most prosperous countries in the world.

In this country in recent years we have been too prone to load federal and provincial burdens upon the municipalities. Our constitution in that respect is well on its way to becoming upside down. The Prime Minister (Mr. Mackenzie King) said that the present government could not make a direct grant to the municipalities. That only shows the necessity of parliamentary and constitutional reform. I had a motion on the order paper dealing with that question, but the resolution was called only once although it had precedence I agree to let five or six other motions have the precedence. It is only begging the question for the government to say that they cannot make direct grants to the municipalities. They have made grants to municipal bodies before. In 1919 they made grants to the municipalities for housing, and ninety-five per cent of that money, millions of dollars, was paid back by the municipalities. So what is the use of the government making that argument? Grants have been made by the federal government to municipal institutions all over this country, for pensions, housing and many other services, and to quasi municipal harbour commissions and other social services. The municipalities themselves have no new sources of taxation. They have increased taxes on property owners so much that property is now taxed to death and nobody wants to own it. This affects real estate; it discourages employment; it discourages housing construction, and it leads to congestion and a lower standard of living. In Ontario the municipalities have found little sympathy from the province, because Ontario is seeking to balance its budget at the expense of the municipalities. The provinces were created for political, not economic, purposes. That was one of the greatest mistakes made at the time of confederation, and that is why we are not able to solve the economic problem in Canada. Four of our provinces would have become bankrupt but for federal assistance. Prior to March 5 of this year the federal government advanced $111,000,000 out of the public treasury to the four provinces west of the great lakes. That is a new constitutional development. If the government, in contravention of the British North America Act, can aid the provinces in this way to the extent of $111,000,000; if they are able to get round the British North America Act and give cash grants for outside services and federal subsidies, why cannot they come to the help of our municipalities? The provinces up to 1930 were able to run their own affairs out of their subsidy and direct taxation, but the municipalities are looking to this parliament for help. As I stated the Minister of the Interior (Mr. Crerar) and the Minister of Labour (Mr. Rogers) the other day gave a heartless reply to the municipalities.

Look at what the United States senate has done to solve the unemployment problem. I referred yesterday to what it did in 1927 under a senate committee there, and the report that was made at that time. Our own senate last year made 555 amendments to our social and unemployment insurance bill, and yet it did nothing to help relieve unemployment in the past 12 years. This Bill No. 19 is fifteen years too late in getting started here. The government ten years ago refused to adopt the policy which we are now asking them to adopt on the third reading of this measure. I can see no object in the present policy of the government in this bill. The unemployment insurance bill that was passed by this house last year is tied up in the courts awaiting a decision while the unemployed are calling for jobs. This unemployment commission can make rules and regulations and make agreements with provinces and corporations outside the control of parliament altogether. That is what Lord Hewart called the new despotism. Where is the liberty of the subject to be if these matters are taken out of the hands of parliament and handed over to a commission which is given powers over the heads of the law courts in this country?

What does this bill say about business? The commission can make agreements with corporations. What corporations? Are they going to make agreements with some of the corporations on which the chairman of the commission is a member of the board, such as the Sun Life, the Bell Telephone and many other companies, including some companies in New York. Are they going to make agreements with these companies? The bill in its present state is an interference with business and with corporate direction of property in this country. It is a most amateur performance and in its present form it will not aid employment because of the restrictions which it is going to place on industry, which should be unfettered if it is going to help give employment. We are giving this commission the right to make agreements with companies

over the head of the province and with business over the head of parliament. Is parliament no longer to be a sovereign power? I contend that this bill is an interference with the liberty of the subject.

This bill permits extensive regulations to be made. Before it passes I should like to ask the government if this measure represents its long term policy for the solution of this problem? Neither doles, nor insurance nor hand-outs will ever take the place of the desire of the free citizens of Canada to work. The whole proposal is only a palliative and it will be a most bitter bill for the unemployed to swallow on May 1 when many of them hope to get off the dole and into remunerative employment. This bill from cover to cover is nothing but a blank cheque. Section 11 states that obligations are to be met, on and after March 31, 1937, but are any plans or surveys not even to be laid before the house as preparation for meeting these obligations?

On April 1 of next year—no, I am wrong; it is on March 31, 1937, Mr. Purvis' birthday, that this bill will expire. Parliament no doubt will then be in session and will get the bills. We can sit here in an $18,000,000 building as members who have certain rights and privileges; then we can look across the Ottawa river and see the slums of Hull which are as bad as anything I have ever seen in New York city. We will get the bills on March 31, not on April 1. The money will be spent and all that will be left for parliament to do will be to conduct a post mortem. It will be a post mortem conducted on a sevenfold coroner system, to be known as an employment commission.

The government may enter into agreements with corporations, partnerships or individuals, but no mention is made of the municipalities. Not one cent is being provided for the municipalities. The only way they can get any money is from the provinces, and then a string is attached to it. Deductions will probably be made from this trust fund. Last night the government admitted that they were not aware that deductions had been made from the trust funds handed out to the provinces. This bill is supposed to assist in the relief of unemployment, but I think the Prime Minister said either too much or too little. A survey should be made as to what has become of these federal funds. Have they been audited by the auditor general? Has he seen that the money reached its proper destination?

I should like to say a word about the chairman of this commission. I have known this gentleman for some years, and I know he is a gentleman. He is the president of the largest industry in my riding, The Dunlop Tire Company, but that is not going to prevent me from speaking my mind as a member of this house. I took part in a by-election in 1934 and at that time the head of this industry was very much interested in the results. Last year he took a great deal of interest in the general elections and efforts were made to defeat the hon. member for Greenwood, a gentleman who has made a great study of this problem and who knows much about the conditions of the people in his district. This Mr. A. B. Purvis of St. James street is to be the chairman of this new hallelujah chorus of government achievements. This is the man who is interested in the Bell Telephone Company and the Sun Life Insurance Company, the insurance company that took millions and millions of dollars out of this country. As I said he is the president of the largest industry in my riding, the Dunlop Tire Company.

The employees of this company have done a great deal to build up the Riverdale section and the over-the-Don district of Toronto. For many years the skilled workmen in this industry had made a most notable contribution to industry. They realized the benefits of protection and they appreciated its relation to employment, but they have been laid off or else are working only part time. During the by-election of 1934, the representative of the party in this section of the house was refused the right to address the workers in this industry because Mr. A. B. Purvis of St. James street was then opposing this party. The other candidates in that by-election were able to get into the plant although I probably had done more for this industry as a municipal worker and officer. It obtained many large contracts in the open market. This company was previously headed by a very able man, a former minister of the crown. He was a popular and lamented citizen who did a great deal for Riverdale district, my predecessor, the late Hon. E. B. Ryckman. However, new officers and heads of departments were brought in recently and the result has been that many of the employees are now working only part time, and some heads, who are Americans, to take the old officials' place. This industry was a credit to Canada under the protectionist system and the men who built it up were some of our best citizens. The present government candidate in the by-election and in the general elections last October had the active support of the Liberal president of this company. Bill boards in the neighbourhood of this plant were covered with the slogans: Vote Liberal and end unemployment; Beat Bennett and bad times; For action, Snelgrove; Curb the trusts; Secure lower bank, mort-

gage and interest rates and, Protection for the home owner. That is what appeared on the bill boards as appeals to the workers of this industry.

The announcement of the proposed appointee to this position is irregular. I think it is unwise to make an announcement of an appointment to a public body, whether it is provincial, municipal or federal, before the appointment is actually made. This is a funny state of affairs. I am sure we could fill these desks three or four times with men who would be willing to act as commissioners. There are many who would be willing to go round advising and readvising the minister. The minister is so fond of getting advice himself he got a copy of Carlyle for the benefit of the unemployed in Canada and fed them on quotations from Carlyle. Now it is to be president Purvis who will advise and report to him.

Not only is this gentleman president of the company I mentioned; he is also connected with the Bank of Montreal, the Bell Telephone Company, the Canadian Investment Fund Limited, the Canadian Lastex Company Limited, the Consolidated Paper Corporation, the Liverpool, London and Globe Insurance Company, the Sun Life Insurance Company and the General Motors Corporation of New York. He is an estimable citizen and one who has done a great deal for his country, but in this instance I think he is attempting to do the impossible. I am surprised that a man of Mr. Purvis' ability would lend his name to something like this. He was born in England and he knows as much as any citizen just what are the conditions over there and in this dominion. All he will be able to do will be to advise and report, report and advise, then take something out of the report and then add something to the report. I am surprised that he would have anything to do with a bill such as this.

I have the figures showing the extent of relief assistance given in the United States. There are 24,000,000 Americans who are living on relief money, about 14,000,000 of them receiving a livelihood from the work relief program, while the other 10,000,000 are getting local relief. The Cleveland News carries an illuminating illustration; it shows a number of smoke stacks of varying sizes indicating the decrease in unemployment since March, 1933. I quote the following statement:

Figures about the decrease in unemployment since March, 1933, show that we are lagging behind Canada, Sweden, Belgium and Great Britain and that we are just a trifle ahead of Japan. These statistics come from official sources in Washington and Geneva. The United States News illustrates with smoke-stacks of varying sizes the percentage of decrease in the number of jobless in each of the six countries. Through the courtesy of this Washington newspaper, we are permitted to reprint the pictogram, which speaks more eloquently than words or statistics.

This illustration shows that the percentage of decrease in unemployment in the United States since March, 1933, has been 19 per cent; Japan, 18 per cent; Great Britain, 24 per cent; Belgium, 27 per cent; Sweden, 36 per cent; Canada, 42 per cent. Yet, in the face of these figures, an hon. member yesterday blamed the party to which I belong for the unemployment that we have in Canada. Unemployment in this country is attributable in the first place to the government preceding the late administration, for that government took no steps to prevent dumping, nor did it make any effort whatever to preserve the home market for Canadian industry and Canadian producers or take any steps to study unemployment as I have said.

I believe in protection for the industrial worker. We have heard a good deal of criticism of the United States, but I would point out that in that country, under the United States government, under the Home Owners Corporation Act, 1,000,000 homes were saved from foreclosure. Look at what the senate of the United States accomplished in 1927 in connection with unemployment. Look at what was done over there in the investigation of Wall street and of racketeering in financial businesses in their relation to the unemployed, sweat-shops and child labour. The Senate of Canada goes on holidays and does nothing in connection with this matter. Why should it not have done something comparable with what was accomplished in the United States ten years ago? Our senate could have brought down a report the size of a bound volume of Hansard, but instead of that it quibbles about dotting an "i" here or crossing a "t" there.

Bill No. 19 refers to conservation but there is not one word about conservation in it. In my opinion the municipalities are being made the goat in this bill, and home owners are unable to retain their homes. England leads the world in unemployment insurance pensions, and we find Italy helping the municipal institutions in that country with a program which will extend over the next forty-five years In particular I would urge action designed to eliminate the suffering resultant from bringing into Canada immigrants who are inadequately informed concerning the conditions they are called upon to face here, and who are the victims of self-seeking immigration agents No one should be left to go cold or hungry in this country; those who

are unable to work and are in need should be provided for adequately. Work should be found or made for all able-bodied workers who, without it, would be in need of the necessities of life, and reasonable means should be adopted to increase the earning power of those who are relatively inefficient.

The Victorian era built up assets for the future, but those assets have been squandered through a mad spending period in the last forty years. The modern politician seems to think it necessary to extend parliamentary interference to every phase of life, business, commerce, imports and exports and everything from Dan to Beersheba, in the form of useless commissions, with the result that we are over-governed. In the early days there were no bankrupt municipalities; to-day there are 247 and they are all crying out for some assistance and receiving none. The solution of the unemployment problem should be found in this house and not in any commission. A committee of this house should be set up to study the whole question, just as we have a committee on so important a subject as railways and shipping. The solution calls for national sacrifice and not for parliamentary repartee. The government of the day must be a constructive force whose object should be the building up of a healthy society; otherwise there is a danger of the people turning to socialism. In sound progressive measures lies the hope of the country. Such a policy may be unpopular in parliament, but if the fight is carried outside we shall find that the rules will be broken, for the man in the street has grown weary. He is of the opinion that the government is dealing with the unemployment question with the object of preserving its own existence and not for the good of the people as a whole, and that its attempts at reform are only half-hearted. The domestic policy has failed, for the stock in trade of the government seems to be summed up in the struggle of the ins and the outs.

Right Hon. Sir GEORGE PERLEY (Argenteuil): I should like to call the Prime Minister's attention again to section 5. It seems to me it would make for better legislation if this section were enacted in a separate bill. The rest of the bill has to do entirely with the Department of Labour, but the administration of section 5 will be carried out through the Department of Finance and the minister of that department will advise the governor in council in regard thereto. Section 5 is for an indefinite time, being more or less permanent, or effective until it is repealed by parliament; whereas the remainder of the act expires on March 31, 1937. In my opinion this bill should cover only the matters which are definitely to expire on March 31, 1937, and as I say it would be better if section 5 were put in a separate bill, which would then be lawfully in force until repealed by parliament. However, that is a matter entirely for the government, and if in their judgment it is all right, if they wish it to stand, I have nothing more to say.

In order to be helpful if I can, may I remind the house that an amendment was proposed to section 2, suggested I think by my leader but accepted by the government, that at the end of clause 2, after the word "labour" there should be added the words, "and whenever used in this act the word 'minister' shall mean the Minister of Labour." I believe that was agreed to by the committee, but it does not appear in the reprint of the bill which I have before me.

Right Hon. W. L. MACKENZIE KING (Prime Minister): May I thank my right hon. friend (Sir George Perley) for his words which, as usual, are intended to be and are helpful. To take the last point first, I think the reprint of the bill which my right hon. friend has is the reprint issued the day before yesterday, and which therefore does not contain the amendments made yesterday. The amendment my right hon. friend has referred to as having had its origin at the instance of the right hon. leader of the opposition was adopted by the committee yesterday and will appear in the bill as it finally passes.

As to the other point I may say to my right hon. friend that while the government naturally hopes that it will not be necessary to renew this legislation, or at least all of its clauses, for another year at the expiration of the present fiscal year, it may be necessary to do so. In that event, of course, we will do as my right hon. friend's friends did when they were in office; we shall ask parliament, before the expiration of this fiscal year, to renew the bill for a further period of time. In those circumstances I think the point raised by the right hon. gentleman, as to the possible effect of other clauses expiring at the end of the fiscal year, will not effect what he has in mind. I may say this, that should it not be necessary to renew the bill undoubtedly section 5 will have to be renewed in the form of a separate bill, and that will be done. This is all part of the law of the land meanwhile, and as the committee considered that point when the bill was before it I think we might allow the bill to receive third reading as it stands.

Mr. H. E. WILTON (Hamilton West): I should like to say just a few words before this bill receives third reading. I am quite in sympathy with what has been said by my hon. friend from Broadview (Mr. Church) with regard to the burden of debt that has been imposed upon the municipalities. I speak from personal knowledge, having had several years of experience in municipal administration; I do know that municipalities have been burdened beyond the point where they can carry on. But I do think at this time there should be no division of opinion in regard to the necessity of solving the problem of unemployment, because the solution of that problem will mean the solution of the problem which confronts every municipality in regard to small home owners, many of whom are being forced out of their homes because of the heavy taxation imposed upon them by the municipalities due to their need of extra revenue.

I am only sorry, Mr. Speaker, that I cannot agree with the proposition to leave the solution of this problem to a commission. To me that seems to be simply putting off the evil day. To my mind it is the direct duty of this government and this parliament to take such action as will lead to an immediate, or as nearly immediate as possible, solution of this problem. If this matter is passed on to a commission no doubt, as commissions usually do, it will take a considerable length of time to bring in its finding, and even after that report has been made probably months will elapse before anything definite is done. Looking at the whole question from the point of view of the people we represent I cannot get away from the thought that the people of Canada look to this parliament itself to settle such questions as that of unemployment. It seems to me that if we have to appoint commissions to carry out everything we want done the people had better elect commissions and do away with parliament. We are sent here to do the business of the country, but we pass that duty on to someone else.

Every speaker has agreed that it is necessary to solve the problem of unemployment and much criticism has been offered, but so far I have heard nothing in the way of a solution. It seems to me that in handling our financial affairs with regard to unemployment we simply go deeper into the mire every time we attempt to do anything, because we follow the vicious system of borrowing money with which to repay borrowed money. No matter what is done our national debt is increased, and we are creating a tremendous burden which will have to be borne by the next generation. Instead of continuing this vicious circle of borrowing and using the same money over and over again in order to carry on, Mr. Speaker, it seems to me the best solution is to find some new source of revenue. By that I do not mean some new source of taxation but some new source of revenue which will bring relief to the overburdened taxpayer and which will help the small home owner to retain his property. I believe this government should adopt some ways and means of developing its own natural resources, thereby creating new wealth which may be used to reduce the national debt and relieve the municipalities of the need for the additional revenue they have had to find. In turn the municipalities would be able to help the home owners who are already overburdened with taxation and debt. It seems to me something along that line would be a very constructive step to take, since it would open up a new source of revenue without any additional taxation.

Let me repeat, Mr. Speaker, that in regard to the solution of the problem of unemployment I do not think there should be any division of opinion in this house except, possibly, as to the means to be adopted. My feeling is that this question should be handled directly and immediately by this parliament instead of being turned over to a commission which will take months to prepare and bring in a report, and in all probability after that report is brought in we will find ourselves back where we are now.

Motion agreed to and bill read the third time and passed.

## CUSTOMS ACT AMENDMENT

Hon. J. L. ILSLEY (Minister of National Revenue) moved the third reading of Bill No. 11, to amend the Customs Act.

Motion agreed to and bill read the third time and passed.

Mr. CAHAN: On division.

## NATIONAL HARBOURS BOARD

### PROVISION FOR ADMINISTRATION AND CONTROL OF PUBLIC HARBOURS

The house resumed from Tuesday, April 21, consideration in committee of Bill No. 17, respecting the national harbours board.—Mr. Howe.—Mr. Johnston (Lake Centre) in the chair.

The CHAIRMAN (Mr. Johnston, Lake Centre): When the committee rose last night it was considering section 3.

Mr. CAHAN: I suggest that for greater clarity in dealing with this clause we discuss it subsection by subsection. The first subsection provides that there shall be, under the minister, a board to be known as the national harbours board. The minister is responsible to parliament for the administration of the harbours by this board, and the word "under" is not clear and definite. We found it necessary in other similar bills to insert the words "under the direction of." It was suggested at one time that it should be "under the supervision of," but there is no doubt that in matters of general policy these boards must be directed by a minister of the crown. Therefore I suggest for the consideration of the minister the insertion of the words "the direction of" in the first line of subsection 1 of section 3, between the words "under" and "the," as making for clarity and definiteness.

Mr. HOWE: I see no objection to the change. I am not just sure what the implication is, but no doubt my hon. friend has looked into it. My thought is that this board will not require a great deal of direction. We hope to have expert management, perhaps more expert than that of any minister at the head of the department could be, and they will act on their own in most particulars. But obviously the minister is responsible for their actions. If the subsection can be allowed to stand I shall be glad to look into it and bring it up latter.

Mr. CAHAN: Then the first subsection will stand.

Subsection 1 stands.

On section 3, subsection 2—Body corporate. Agent of His Majesty.

Mr. CAHAN: With regard to the second, I find something that is, I think, new in parliamentary legislation:

> The board shall be a body corporate and politic and be and be deemed to be, for all the purposes of this act, the agent of His Majesty the King in his right of the Dominion of Canada.

I suggest that that section should properly end with the word "politic"—"The board shall be a body corporate and politic." I understand the phrase about vesting the title in His Majesty the King in his right of the Dominion of Canada to lands and property; we use this expression frequently in legislation and in legal documents. But this board is not only under the supervision and direction of the minister as to general policy, but is subject in many respects to orders in council. I have no objection to its being a body corporate and politic for certain purposes, but I do object, I think it is without precedent in our legislation, to a particular board or bureau or commission or commissioner being declared by act of this parliament to be the agent of His Majesty the King. The only agent for His Majesty the King in Canada, outside of the peculiar functions of His Excellency the Governor General, is the government of Canada or some department of that government. Therefore I suggest that this clause should be reconsidered.



Mr. HOWE: The Department of Justice explained the matter to me in this way: That of course "the agent of His Majesty the King" means the agent of the king purely for the administration of this particular act; that the Halifax harbour commissioners in a case before the supreme court were declared by the court to be the agents of His Majesty the King for the administration of the harbour commissioners' act. In other words we are simply calling them what the supreme court of Canada has declared them to be.

Mr. CAHAN: I entirely dissent from that suggestion. It may have been stated, in an opinion of one justice, of the supreme court or otherwise, that a harbour commission not under the supervision or direction of the minister but operating under a particular statute, was an agent of His Majesty the King. For instance, as we shall see later, in matters of land expropriation, in matters of other property which is in the possession of this commission, such property will be vested in His Majesty the King in the right of the Dominion of Canada. That expression is clear and definite as to the vesting of property. But I suggest it is a most extraordinary thing to say that you are setting up a new government outside of the government of Canada to administer the affairs of what is really a particular department or branch of a department under a minister of the crown.

Mr. HOWE: I have before me the act to amend the Canadian Farm Loan Act, assented to April 17, 1935, which I assume my hon. friend knew something about.

Mr. CAHAN: Perhaps so.

Mr. HOWE: Section 3, subsection 5, reads:

> (5) The board shall be a body corporate and politic and be and be deemed to be for all the purposes of this act, except contractual dealings between the government of Canada and the board relating to the purchase by that government of the capital stock or bonds of the board or the repurchase by the board of those bonds, the agent of His Majesty the King in his right of the Dominion of Canada and to take security, receive, lend, pay, agree, acquire, hold, convey, transfer and otherwise do as this act directs or authorizes as such agent and not otherwise.

Mr. CAHAN: That is a different matter altogether.

Sir GEORGE PERLEY: Is the farm loan board under the minister, as this one will be? The harbours board in effect and in practice will be part and parcel of the minister's department. I do not think the farm loan board is.

Mr. DUNNING: Section 3 of the Canadian Farm Loan Act states:

3. There shall be a board, known as the Canadian Farm Loan Board, which shall be a body politic and corporate and shall consist of four members, one of whom shall be the minister who shall be chairman thereof.

Then, in the interpretation section "minister" is defined as follows:

(i) "Minister" means the Minister of Finance for the time being.

Mr. CAHAN: Yes, but that is entirely different.

Sir GEORGE PERLEY: Quite different. The farm loan board is not part of the Department of Finance, but the harbours board is made a part of the department of transport, when it is formed. In effect and in practice this board will be a part of the department.

Mr. CAHAN: We would save time if we were to reserve section 2 and take further advice upon it, because it opens up a great many questions. If this body is a separate, distinct and independent agent of his majesty it certainly should not be placed under a minister of the crown. A minister may be a member of the board, as in the instance to which the hon. member has referred, namely the farm loan board, but the board cannot be an independent agent of His Majesty in his right of the Dominion of Canada and still be under the direction and supervision of the proposed minister of transport. I suggest that if the board is the agent of His Majesty the King, then His Majesty in his right of the Dominion of Canada is liable as principal for all actions of the board, all questions of liability and damage, and, as I suggested on second reading of the bill, it opens up the way for bringing an action against the government, because His Majesty in his right of the Dominion of Canada is the government. It opens up the way to bringing an action against the government by petition of right and like procedure, and leads to great confusion. I can see no reason why the board should be described as an agent of His Majesty the King, any more than any department or bureau of government or any other government commission should be described in that way. I respectfully suggest that the minister might hold the section for the time being, and seek further advice. If the section is adopted it will lead to very considerable discussion with regard to certain other provisions with respect to which, in my opinion, it is entirely inconsistent.

Mr. HOWE: The hon. member raised this point on second reading, and upon that occasion the matter was discussed with the Department of Justice officials. That department has given the definite ruling that the measure contains the correct drafting, and I do not believe anything would be gained by referring it back to the department. We have consulted it once and laid the views of the hon. member before it. As minister I believe I am bound to take the ruling of the Department of Justice.

Mr. CAHAN: Of course the minister has the majority.

Subsection 2 agreed to.

On section 3 subsection 3—Board may contract, sue and be sued.

Mr. CAHAN: This subsection brings up another matter. As a corporate body the board may sue and be sued, but in my opinion other provisions of the act are inconsistent. Nevertheless I assume that all real and personal property of which the board is in possession and is operating will be vested in his majesty. If so the board will have no property with which to respond to its own liabilities or to any judgment obtained against it. I have no objection to the provision that the board shall have capacity to sue and be sued, but in view of subsequent provisions suit against the board may have very little effect.

Mr. HOWE: This matter has been carefully considered by the Department of Justice. Obviously the board is engaged in a number of businesses, involving a large turnover of money. It has to enter into contractual relations with private parties. This subsection merely contains the declaration that the board may be sued for breach of contract, without obtaining a fiat from the crown. In other words it does away with the necessity of compelling people who wish to take action against it to obtain a fiat from the crown.

Mr. CAHAN: I appreciate that point, but in view of other provisions I think the board will have very limited resources with which to satisfy a judgment.

Mr. HOWE: I do not believe that that is so, because I must point out that the board is dealing in millions of dollars, and has a revenue of about eight million dollars per year, plus such deficiency appropriation as parliament may vote.

Subsection 3 agreed to.

Section 3, subsection 4 agreed to.

On section 3, subsection 5—Salaries.

Mr. CAHAN: If the salaries of the board are to be fixed by the governor in council should they be left indefinite and subject to change by increases or decreases? I am not objecting to the subsection, but certainly I suggest that the salaries should be fixed in the bill.

Sir GEORGE PERLEY: If the government is bound to pass the subsection we cannot prevent it, but I must remind the government that during the five years the previous government held office the present Prime Minister and his followers in opposition offered continuous criticism of action by order in council and without reference to parliament. I admit that there may be occasions when a salary cannot be stated in a bill, in which event the amount would have to be determined by the government, after taking all facts into consideration, but it does not seem to me that this is in that class. I assume the government must know at this time the persons they purpose appointing to the board, and they ought to be able to state the salaries in the bill. I submit that from the government's own point of view regarding orders in council this is something that ought to be determined here. If everything is to be left to be settled by order in council, what becomes of all the arguments hon. gentlemen opposite used during the last few years against the previous government?

Mr. HOWE: The harbour commission is in business in a very big way indeed, and we hope to secure the services of excellent men for the commission. We believe we should be free to pay what may be necessary in order to get the right type of man from time to time. I am advised by the Department of Justice that this is the usual procedure in matters of this kind, and I see no reason why it should be departed from in this case. My hon. friend is quite mistaken in saying that the government knows exactly how this board is going to be made up, because we cannot consider that until we get the legislation through.

Subsection agreed to.

Subsections 6 to 9 inclusive agreed to.

[Mr. Cahan.]

On section 3, subsection 10—In case of vacancy.

Mr. MACKENZIE (Vancouver): I move, Mr. Chairman, that this subsection be amended by striking out the words in the first line thereof, "there should be" and substituting in lieu thereof the word "of."

Amendment agreed to.

Subsection as amended agreed to.

Subsections 11 to 15 inclusive agreed to.

Section agreed to.

On section 4—Officers, clerks and employees.

Mr. MACKENZIE (Vancouver): I move to amend subsection 1 by adding at the end thereof the following proviso:

Provided that in the employment of such officers, clerks and employees under the provisions of this subsection, other qualifications being equal, preference shall be given to persons who have been on active service overseas in the military forces, or being resident or domiciled in Canada at the outbreak of the war served in His Majesty's forces, or who have served on the high seas in a seagoing ship of war in the naval forces of His Majesty during the war, and who have left any of such services with an honourable record or who have been honourably discharged.

Amendment agreed to.

Mr. CAHAN: Before the clause as amended is carried I wish to consider the first four lines of section 4. When this board is organized and vested with the property and works of the seven existing harbour commissions it will be, next to the Canadian National Railways and the Canadian Pacific Railway, the third largest national corporation in the Dominion of Canada. Its employment will at times run into many scores and hundreds of employees who will really be in the service of the government of Canada, just as much in the service of the Dominion of Canada as the five hundred employees of the printing bureau under the Department of the Secretary of State which in itself is a separate and independent bureau or board but is nevertheless a branch of one of the departments of government just as this board inevitably will be one of the branches of a department of government. This bill provides that the three gentlemen who are appointed commissioners shall have complete control of the employment of all other officers, clerks and employees which they may deem necessary for the proper conduct of its business. This board will fix their remuneration and other terms of their employment, and I suggest that if the former system led to patronage and improper admin-

istration for political and partisan purposes, this bill is surcharged three times with the same prospective evils. It is an attempt, and a deliberate attempt, of the government to secure the employment of scores and hundreds of persons who will not be subject to the civil service regime or to examination and appointment by the civil service commission. I know the government have a majority and they may put it through, but I call attention to the fact that this is a flagrant violation of civil service principles to which successive governments have adhered in the past.

Mr. MacNICOL: There are now doubtless large numbers of employees in the service of the different harbour boards throughout the country. Is it the intention to reengage all those who are eligible on the present staffs or is it intended to employ entirely new staffs?

Mr. HOWE: I trust that my hon. friend from St. Lawrence-St. George (Mr. Cahan) is not serious in suggesting that the civil service commission be allowed to select the staffs for all the business that is conducted by the harbour boards from Halifax to Vancouver, fluctuating staffs, and so forth. I do not like to be unpleasant about the thing, but it does seem to me that my hon. friend might have made some such suggestion when his government was in power and the harbour boards were operating exactly the same business. I cannot imagine that he would seriously make the suggestion. I do not think it would have been wise to put the staffs under the civil service commission then any more than it is to-day. I cannot think of a better qualified board to determine the personnel than the three experts whom we shall appoint to have direction over this enterprise. I cannot think of any better way of building up a service that will be a credit to the dominion than to allow the commission to pick its own personnel, place them on a basis of efficiency, and carry on from there.

Mr. CAHAN: I suggest that the hon. member himself last evening made certain declarations with regard to evils which he alleges have grown up under the existing system, and I suggest that by this bill the introduction of patronage which will be under his control will lead to evils far greater and more intense than those to which he called attention last evening. I have no doubt about it. The argument of the hon. gentleman that the previous government should have introduced a reform in respect to the administration of these boards is not altogether relevant because the previous government did undertake to initiate reforms along the line of the report which my hon. friend has adopted.

Mr. HOWE: Would my hon. friend mind detailing the steps which the government took?

Mr. CAHAN: The first step was to have a thorough investigation.

Mr. HOWE: What was the next step?

Mr. CAHAN: That is the step that was taken. The other matter, as explained by the leader of the opposition (Mr. Bennett) was the development work in connection wtih certain of these ports. This work was in progress and it seemed inopportune to introduce a measure of this radical character so near the end of the session. The other phase concerns who would be best qualified to select the employees of these boards and the hon. gentleman suggests that the three men whom he will select will be best qualified. Following out that same argument, I assume that the hon. gentleman thinks if he were made prime minister of Canada he would be best qualified to select all the civil servants in every branch of the government. The argument leads to that. I suggest that this bill provides for the hon. gentleman a system of patronage unprecedented in the administration of any department of the government. The effect of this bill is to place the harbour boards under the administration of his department; his department assumes responsibility. If my life is preserved for three years, I shall be very happy to sit opposite to the hon. gentleman and discuss the pernicious practices which will inevitably grow up and the evils which will undoubtedly ensue from the adoption of the system of patronage which is embodied in this particular clause.

Mr. HOWE: I am glad the Gibb report is referred to, but apparently hon. gentlemen have never read it. Sir Alexander Gibb covered this matter very carefully in paragraph 92 of the report, which reads:

> The central harbour board should act under the Minister of Marine, but not under any department. It should have wide discretionary powers in the matter of rates, salaries, terms of service, the settling and administration of contracts, the engagement of special technical assistance, the sanctioning of emergency capital expenditure, and the control generally of all construction and port operations.

That is what my hon. friend's expert said about this.

Mr. CAHAN: I am not responsible for the report. Experts for every other department are selected by the civil service commission upon the report and advice of departmental officers. The Gibb report suggests that this should be under a minister and not under a department. What the report had in view undoubtedly was the creation of a distinct department or bureau or board which would supervise the administration and which would be under the minister. I shall be prepared to come back at the end of three years and discuss with the hon. gentleman whether this system of patronage which he is introducing advances the best interests of the government and the public.

Mr. HOWE: The board we are creating is exactly the one described by Sir Alexander Gibb in his report. Sir Alexander said that the board should report to the minister and not through a deputy minister. This board, as I say, is exactly the same as the one described by Sir Alexander Gibb and the matter of rates, salaries, terms of service and so on will be the same as Sir Alexander Gibb recommended. As my hon. friend has claimed the Gibb report for his party, it seems to me that that rather closes the issue.

Mr. CAHAN: My hon. friend need not be so personal; I did not claim the Gibb report for my party or any party. We are more interested in the proper administration of these harbour boards.

Mr. HOWE: My hon. friend paid me a compliment by saying that I was aspiring to be prime minister of Canada.

Mr. CAHAN: I did not suggest that the hon. gentleman was aspiring to that position; I suggested that the argument which he was advancing would tend to vest in the prime minister the appointment of all officials and employees in every grade of the service.

Mr. ST-PERE: I do not think we would be the losers by that.

Mr. CAHAN: Possibly not, although there is a widespread difference of opinion. That sort of patronage has led to evil results; it is a pernicious practice.

Mr. POULIOT: Mr. Chairman, I rise to a point of order. This bill refers to the Minister of Transport, but there is no Minister of Transport. Item 24 on the order paper refers to a resolution to provide for the appointment of a Minister of Transport, but that resolution and the following bill should first be passed. It is only after the principle has been agreed to that the accessory can be discussed in committee. At the present time the Minister of Transport does not exist and we are being asked to transfer the whole harbour commission business to a department at present non-existent. I am very much surprised that such an eminent lawyer as the hon. member for St. Lawrence-St. George (Mr. Cahan) has not seen this before.



Mr. CAHAN: I took exception to it last evening.

Mr. MACKENZIE (Vancouver): Exception was taken to this particular point, I believe, by the hon. member for St. Lawrence-St. George, but I do not think the point is well taken. The last section of this bill states that it will come into force only on proclamation of the governor in council and the resolution referred to by the hon. member will be law long before this bill is proclaimed. The definition of "minister" as the Minister of Transport does not affect the validity of this bill.

Mr. CAHAN: My hon. friend should not make such a confident declaration, as this bill cannot be enacted and proclaimed without the confirmation of another branch of this parliament.

Mr. MACKENZIE (Vancouver): This bill will not become law until proclaimed.

Mr. CAHAN: That is true.

Mr. MACKENZIE (Vancouver): There is every possible safeguard.

Mr. POULIOT: I was interrupted just as I was making my point. Has the chair given a ruling on the matter or has the objection been withdrawn? I should like to have a ruling. I do not want to displease anyone, but I want to see good legislation. Our legislation should be one and two and number two should not be number one. It seems to me that everyone will agree with that. I do not want to cause trouble to anyone, but I want to be clear in my mind that the legislation we are discussing is right. This is a serious objection. Perhaps the reason why this resolution has not been passed is because the government have changed their mind. Perhaps the bill we are now studying will never be put into force because the resolution will not be submitted to the committee. We do not know this and I want to be sure. It seems to me that we should first create a department before it is given any power, especially such powers as are granted by this legislation. Mr. Chairman, it seems to me that it will be very difficult for you to elucidate this matter and give a ruling on the whole thing.

Mr. MACKENZIE (Vancouver): This section stood over last night for further consideration, and I submit that the question does not now arise.

Mr. POULIOT: This section is not an independent section of the bill; it is the whole bill. The whole thing will rest upon the shoulders of the minister, for whom I have great respect, and I want him to be empowered with full authority when these powers are conferred upon him. That is the point. You cannot give powers to a dummy; the minister must first receive authority to control the harbours of the country before these harbours are transferred to him. This is elementary; it is common sense, and the legislation should be drafted in that way. There were complaints yesterday about the way in which the legislation was drafted, and those complaints were serious. I submit, Mr. Chairman, that you are here not to please anyone but to see that the rules are observed and that discussion is carried on in accordance with the elementary principles of parliamentary procedure.

Mr. RINFRET: May I point out to the hon. gentleman that there is a precedent for having the legislation in this form. I recollect distinctly that last year the government introduced several bills that were interwoven. There was a bill transferring to the tariff board the activities under the combines act; there was another bill creating a commission on trade and commerce, one of the sections of which bill provided that the commission should be under the tariff board; and then there was an amendment to the Tariff Board Act. These were all considered together on the distinct understanding that none of the bills would be put into force until they had all been passed. I submit to the hon. member that he is raising with some emphasis a point of order which is really not in keeping with the common practice in this chamber. I understand, moreover, that the point was left in abeyance last night, and I see no objection to our proceeding with the bill in the meantime.

Mr. POULIOT: I do not insist upon it, but if I raise a point of order it is because an hon. gentleman the other day said that I was an expert on points of order. One thing more. The rulings of the chair in the last five years, and the legislation passed in the last five years cannot be cited as a precedent; it is all wrong.

Sir GEORGE PERLEY: There is no reason in the world why we should not go on with the bill, but I do not think it should be passed until the department of transport has been set up. I do not see how you can pass a bill referring matters to the minister of transport when there is not a minister of transport. But there is no reason why we should not go on with the bill.

The CHAIRMAN (Mr. Johnston, Lake Centre): The section having to do with the minister of transport was allowed to stand.

Sir GEORGE PERLEY: The minister is making light of the suggestion put forward by the hon. member for St. Lawrence-St. George. The minister said that many evils had grown up in the administration of the harbours; he went into that fully and used some extreme language. I can see in this clause, however, nothing that alters at all the situation in regard to patronage. Personally I am glad that he has brought down the bill if its terms are made satisfactory to everyone. I think something was needed to alter the administration of the harbours and to put them into a more businesslike shape.

But let me submit this to the minister as far as patronage goes, and that is one of the evils to which he referred last night. It is one of the things which, we know, have happened through the years, the difficulties in regard to the employment of persons by the harbour commissions, the manner in which they are to be selected, and the right claimed by members in constituencies in which there are harbours to name the persons to be appointed. There is in the proposal now before us nothing whatever that changes that situation in any way. If, as I assume, the minister is desirous of bettering the administration of the harbours in respect of patronage, there should be a different arrangement from that which is proposed in this section, because as far as I am able to visualize it the position in connection with the appointment of persons in the different harbours will be exactly the same as it has been in the past. I know the difficulties that exist, but I urge the minister to consider the position in which he will place himself. As Minister of Transport administering the canals, if he has to appoint an engineer on one of these canals he must go to the civil service commission. I see no harm in that; it has been working out very well. On the other hand, if he wants an engineer in the harbour of Vancouver or in Saint John he can appoint that man himself; that is to say, the man is appointed by the board which is under his direction and the minister does not have to go to the civil service commission at all. There is a small canal in the constituency of Argenteuil, which I have the honour to represent, and if a

lockmaster or lockman is needed there the civil service commission appoints him. A notice is put up in the post offices and along the canal, intimating that there is a vacancy; applications are made to the civil service commission and they make the appointment. I am not arguing now either for or against the wisdom of this method, but I would ask the minister why he thinks there should be any difference between the method followed in appointing engineers, clerks and so on in connection with these harbours and the method in connection with canals, which he will also be administering.

Mr. HOWE: My hon. friend is an experienced business man. I would ask him to go back over his business experience and ask himself whether he would recommend the civil service commission as the proper agency in appointing men in connection with the various businesses of the ports—the grain elevator business, the cold storage business, the wharf and warehouse business, the terminal railway business, stevedoring and so on—or whether he would not consider it best to leave such appointments to the business heads of enormous undertakings of this kind, allowing them to keep the personnel up to the mark by giving them the power of dismissal for wrong-doing.

Sir GEORGE PERLEY: The minister makes a fair argument, and in a business I might be administering I should certainly wish to control the appointments myself. But if he were administering the business of an elevator he would not have a member of parliament coming to him and saying that he wanted certain people appointed; the minister would have that in his own hands. The point I am making is this: Is there not any way in which he can improve the position as far as patronage is concerned, with respect to the people who will work for the board, because pressure will be there exactly the same as it has been? I understood from what the minister said previously that his purpose in bringing down this legislation was to try to better the condition of affairs in the harbours and to see that patronage was eliminated as much as possible.

Mr. CAHAN: "Change the system" were the words.

Sir GEORGE PERLEY: Yes, change the system in order to eliminate patronage, and try to have this business conducted as the minister would conduct it if it were his own private concern.

Mr. FINN: I am surprised at hon. gentlemen opposite. Every hon. member knows that the Gibb report was in the hands of the previous government—and I regret that the right hon. leader of the opposition is not in his seat at the moment—and that the report was pigeonholed so that it did not see the light of day until the present administration came into office. I desire to say to my hon. friends opposite and particularly to the ex-Secretary of State (Mr. Cahan), who comes from my own province, that the harbour commissions were established in 1928, and in 1930 we had an election. The Liberal party went out of office; the Conservative party came in, and the late government, led by the present right hon. leader of the opposition, dismissed every employee of the Halifax harbour commission, from engineers down to the men who swept the docks, with the exception of three or four employees.

Mr. ST-PERE: The situation was the same in Montreal.

Mr. FINN: The chairman of the Halifax board was a gentleman whom the ex-Secretary of State knows very well, but during the five years hon. gentlemen opposite were in office they did not dare to bring down legislation implementing the Gibb report. Prior to the election of 1935 all employees of the Halifax harbour commission, from the chairman down to the humblest employee, were told what they had to do. They went out and worked for the Conservative party and did all they could to defeat my colleague and myself. Hon. gentlemen opposite speak of patronage. They had it for five years and their party grew rich because of it. If I wished to make some other statements to this committee this afternoon I think some other hon. gentlemen who sit opposite would be out of the house just now, as the right hon. leader of the opposition is.

Mr. WALSH: I rise to a point of order. I do not think the hon. member has any right to refer to any other hon. member in the terms he has used, or to make the suggestions he has made. I would ask the hon. gentleman to withdraw his last statement.

Mr. FINN: I simply said what I meant, Mr. Chairman, and I reiterate it, that when this—

Mr. WALSH: I raised a point of order, Mr. Chairman, and I ask for your ruling.

The CHAIRMAN (Mr. Johnston, Lake Centre): I would ask my hon. friend to state first the point of order.

Mr. WALSH: The hon. member stated that if he cared to make statements which he knew to be true some other hon. members

in this house at present would not be sitting in the house but would be absent, as the right hon. leader of the opposition is at the moment. That is a marked and unpleasant suggestion directed to certain hon. members.

An hon. MEMBER: Face the music.

Mr. WALSH: Face the music nothing; I do not think that is a fair and reasonable statement, and I think it is the duty of any hon. gentleman to withdraw a remark which casts a reflection upon any other hon. member. I ask my hon. friend from Halifax, as an hon. member who is held in general esteem, to withdraw the statement, or at least to make it plain that he is not casting any reflection upon any other hon. member.

Mr. FINN: I desire to say to my hon. friend that my statement stands, unless I am ordered by the chairman to withdraw it. I said nothing in reference to any hon. gentleman opposite, except that if I should make some statements perhaps some other hon. gentlemen would not be here in the house, not because they were directly interested but because my remarks would not be euphonious to their ears.

Mr. WALSH: Then is the ruling that the statements are in order, Mr. Chairman?

Sir GEORGE PERLEY: I am sure, Mr. Chairman, you will rule that the hon. gentleman should not make any insinuations against any hon. member. I think that is all you need to do.

The CHAIRMAN (Mr. Johnston, Lake Centre): My position with regard to what the hon. gentleman said would be that he has not named any hon. member.

Mr. STEWART: Yes, he said, "like the right hon. leader of the opposition."

The CHAIRMAN (Mr. Johnston, Lake Centre): The hon. gentleman did not charge the right hon. leader of the opposition with any wrongdoing, nor has he charged any individual member of this house with any wrongdoing.

Mr. STEWART: I do not think you caught the remarks of the hon. gentleman, Mr. Chairman.

The CHAIRMAN (Mr. Johnston, Lake Centre): I think I did, and my ruling would be that anything the hon. gentleman has said so far is in order.

Mr. CAHAN: I should like to make it clear on Hansard that the right hon. leader of the opposition is engaged this afternoon, performing his proper duties, in attending a meeting of a committee of this house, which necessitates his temporary absence from this chamber. That is the only reason why he is absent.

Mr. MacINNIS: I should like to say a few words in connection with this section, in support of the position taken by the hon. member for St. Lawrence-St. George and those sitting around him. I may say that I am in agreement with the government in bringing down this legislation, because I believe it is an attempt to overcome some of the evils that the minister put on record in moving the second reading of the bill. If any further argument were needed to support what the minister said at that time I think it was furnished by my right hon. friend who has just taken his seat.

Mr. FINN: Not right honourable, just honourable.

Mr. MacINNIS: Not yet but at some other time, I hope. I suppose in expressing my approval of the bill I shall find myself in that category suggested by the hon. member for Vancouver-Burrard, who said in Vancouver recently that hon. members who supported this bill must have something wrong with their heads. However I do not mind that, since I imagine I shall be in fairly good company. I believe the minister is falling short of what he intended to do if he leaves this section as it now stands. In support of his position he points out that the board will make these appointments, but I should like to suggest that if another government comes into power the term of office of this board will be terminated, and then we shall see exactly what my hon. friend from Halifax says happened in 1930. Therefore we are not going to get over the evils by merely appointing a board. I have before me to-day's Routine Proceedings and Orders of the Day and I wish to draw to the attention of the committee two questions which appear thereon. Question No. 3 asks:

1. How many persons have been dismissed from the staff of the Vancouver harbour commission since October 23, 1935?
2. How many of those dismissed during this period were ex-service men?
3. How many persons have been appointed to the staff of the Vancouver harbour commission since October 23, 1935?
4. How many of those appointed during this period were ex-service men?

Question No. 5, which I suppose was put on the order paper to meet the reply to question No. 3, asks for the number of persons

dismissed from the staff of the Vancouver harbour commission during the period from August 7, 1930, to October 23, 1935.

Now, ten years hence, unless we deal with this matter in the proper way and put it under the civil service commission, we shall have similar questions to this on the order paper, and for similar reasons. The minister asked the hon. member who is acting leader of the opposition to-day (Sir George Perley) if he would make appointments through the civil service commission or a similar organization if he were dealing with his own business. But government business is not the same as private business, as has been well pointed out. I suggest to the minister that if he wants to get the credit which is undoubtedly coming to him for introducing this legislation, he go the whole distance and have the appointments under the civil service commission, so that we may get away from the evils of patronage in this matter.

Mr. ST-PERE: All the appointments?

Mr. MacINNIS: Something can be done. There may be minor appointments that would not come under the civil service commission, but I am convinced that most appointments could be made by the commission just as well as by the board which is going to be appointed.

Mr. ST-PERE: Does the hon. member say that the civil service commission is competent to appoint the manager of a car repair plant in Montreal? What competency have they to appoint a master mechanic? The hon. member talks about patronage; in 1930 my opponent was the leader of a committee which looked after the dismissal of Liberals. These are facts. My hon. friend from Vancouver East (Mr. MacInnis) is a motorman. He was appointed there because the manager knew what he could do. Would he tell me that specialists administering a harbour board are not more competent to employ men belonging to special trades than is the civil service commission? The hon. member from his place in the house tries to convince the people of Canada that the civil service commission should have the first word in appointing plumbers, mechanics, and men all belonging to working classes. I say that this is impracticable; it is nonsense. The civil service commission is not omniscient.

Sir GEORGE PERLEY: It seems to me that the hon. member for Hochelaga (Mr. St-Père) is strengthening the argument we are trying to make regarding this matter. I say again, I am not trying to assess the blame. My hon. friend from Hochelaga blames the Conservatives for doing certain things when they came into office; I could reply and blame the Liberals, but is a tu quoque argument of any use in a matter of this kind? This has been an evil and trouble all through the years. I told my hon. friend, the minister, before that personally I am very glad he has brought in this legislation; I think something was required to improve the administration of the ports, but I submit that he should give further consideration to this point. This government is not going to be in power forever; some day there will be another government. Is he going to perpetuate the idea of having the employees of this board change when there is a change of government? I would take exactly the same stand if the argument were the other way; I do not believe in the principle. If you are going to have a good administration of the harbours you have to build up a competent staff, some of whom, at any rate, will have a certain degree of permanency. Perhaps it cannot be managed to have all the staff of the harbour board appointed by the civil service commission; sometimes I think there are some positions being filled by the commission to-day that would be better not dealt with by the commission. I have known cases like that. I referred a little while ago to the canal in the constituency of Argenteuil; I think some other authority might be more competent to appoint lock men than the civil service commission. We took the small post offices away from the civil service commission some years ago, very wisely I think. The member of parliament is better able to suggest the name of a postmaster for a small post office in his constituency than any one else. I am not suggesting that everyone employed by the harbour board should be appointed by the civil service commission, but I say to the minister, who is evidently endeavouring to improve the administration of these harbours, that some way ought to be found to give permanency to at any rate a large part of the employees of the board, so that when there is a change of government they will stay in their positions. I speak my personal views entirely; I am not in favour of giving the commission authority over everyone appointed, but I am sure that on the whole the civil service commission have improved the service and made civil servants feel that they are more permanent, and so have drawn to the service a better class of men and women, who are willing to make it their permanent calling in life. Surely some way can be found to give to at least the greater part of the employees of this board that sense of permanency, so that

a better class of men will be secured and that when there is a change of government or a change of the board, the staff will not change. There may be a change of the board, even under the present government; is the new board to get rid of the old employees and take on new ones? I say to the minister: Surely he can find some way to give to the greater part of the staff of these harbours a sense of permanency which will make for the selection of better men and improve the administration of these harbours.

Mr. HOWE: I agree with the principle of building up a permanent staff. Perhaps my right hon. friend is not aware that there is considerable permanency on our harbour staffs. I suppose the number of new men employed on the harbours since this government came into power is not ten per cent of the strength of the harbour staffs.

Mr. CAHAN: But you have not been in power ten months yet.

Mr. HOWE: But it did not take you three months—

Sir GEORGE PERLEY: The minister should not say it did not take the other government three months. I would like to know what he means by that. He is not suggesting that we dismissed all the men in the harbours administration, is he?

Mr. HOWE: A question has been asked about the numbers; I have the numbers here, if wanted.

Sir GEORGE PERLEY: I think both sides have done a good deal of that sort of thing. I do not think we can get on with this discussion on that basis.

Mr. HOWE: I think there has been improvement from year to year, and considerable improvement is taking place in the present year. The practice is growing up of binding these people into permanent organizations in quite a satisfactory way. For instance, in the port of Montreal, this group insurance which has been in effect some time, binds the people into a more or less permanent organization.

Sir GEORGE PERLEY: Would that bind the board?

Mr. HOWE: It would not bind the board, no. But at the same time it builds up a permanent service, gives the men a status in the books of the commission, which I may say has been respected to a high degree over the years. I believe some method like that, rather than giving the appointment of the entire staff holus-bolus to the civil service commission, is the wise way to work it out. I believe it will work out that way under a permanent board. Remember that this board is being appointed for ten years, and I think the permanency of the heads will build up the permanency of the staffs as far as a business that is seasonal in character, as this business is, will permit. I do not know that I can think of any step at the moment that I can take which will hasten that situation.

Sir GEORGE PERLEY: Does the minister not draw a distinction between the higher class of the staff and the lower? I cannot remember the name of the bill, but I do recall that a bill was passed some years ago in which it was indicated that certain of the staff would be appointed by the civil service commission and the remainder by order in council. I remember the matter was discussed in this chamber for some time. I am not suggesting that the minister should arrange the section so that all appointments should be made by the civil service commission, but I do submit to him that he should make a beginning. Could he not draw some distinction—he is better able to do it than I am—between the different classes of employees? He could make a beginning towards developing a permanent service for the harbours.

Mr. HOWE: It must be obvious to the hon. member, as it is to me, that it cannot be done this afternoon.

Sir GEORGE PERLEY: No.

Mr. HOWE: The matter would require careful study. It seems to me that if we decided to do it to-day it would take a year to put it into effect.

Sir GEORGE PERLEY: No.

Mr. HOWE: We would have to declare all positions vacant and ask for new appointments.

Sir GEORGE PERLEY: No. I cannot remember the name of the bill, but one was passed in which—

Mr. POWER: I think it was the bill setting up the radio commission. But may I point out that on that occasion the employees in the lower brackets were placed under the civil service commission, and those in the upper were exempt. If I may judge from what I read in the public press and elsewhere, the people most criticized are those who are exempt.

Sir GEORGE PERLEY: That may be, but the bill setting up the radio commission is not the one I had in mind.

Mr. POWER: I think the same thing happened in connection with the bill setting up the tariff board.

Sir GEORGE PERLEY: What about the unemployment insurance measure?

Mr. POWER: As I understand it, nearly all the employees are placed under the civil service commission.

Mr. ISNOR: I shall not deal with the question of patronage raised by the hon. member for St. Lawrence-St. George (Mr. Cahan), because that has been answered by the hon. member for Halifax (Mr. Finn), who showed clearly that ninety-five to ninety-nine per cent of the employees of the Halifax harbour commission were dismissed immediately after the change of government in 1930. If I remember correctly, the hon. member for St. Lawrence-St. George stated that they took steps at once to change conditions. They did take steps at once, the steps referred to by my colleague.

Mr. CAHAN: Mr. Chairman, I ask the hon. member to please take that back. I did not make any such statement with regard to conditions in Halifax or in any other port. I had nothing whatever to do with the employment or dismissal of any person in the port of Halifax or the port of Montreal. I stand in this chamber and say that I was a minister of the crown for five years and never interfered to dismiss from his employ any man, no matter what his political or partisan views or how partisan his actions may have been.

Mr. POWER: There is such a thing as trying to wash one's hands of one's colleague.

Mr. CAHAN: I am not trying to do that; I am replying to an insinuation which is entirely unfounded.

Mr. ISNOR: I should not like to misquote or make a misstatement where the hon. member is concerned. If he did not use those words, he did say—and I hope I am correct this time—that steps were taken. In other words steps were taken by his government to bring about certain changes. I simply make the statement that they did make changes. They made changes to a very marked extent in connection with one particular activity, that of the Halifax harbour commission, where they dismissed practically every employee. That was a minor step. The all-important step which they should have taken did not take place until January 15, 1932. At that time a very important step was taken by the late government when it appointed Sir Alexander Gibb to look into harbour matters.

It is surprising the extent to which hon. gentlemen opposite change their tactics when they lose office. When in power they are ready to bring about changes which will provide for their friends, but immediately they are in opposition their tactics change. "Oh no, you must not do this; you must not do that; you must not make changes, because they will have a tendency to bring about a greater degree of patronage!" Such observations are not fitting at a time when the Minister of Marine is endeavouring to bring about conditions which will add to efficiency in the handling and development of ports in Canada.

I do not wish to deal with this matter in a sectional way. If I were to do so I would strongly advocate the recommendation in the Gibb report concerning local advisory committees. Last night mention was made of a local advisory committee to cooperate with the central board. However I do not propose to go into that matter now. The minister has laid down a program, which he believes will be effective, but which does not provide for this type of committee, and his judgment is good enough for me. For that reason I will not press the suggestion.

May I offer to the minister a constructive thought with regard to all Canadian ports. First may I call the attention of the committee to one or two facts brought out by the royal commission on maritime claims headed by Sir Andrew Rae Duncan. I do not wish unnecessarily to take up time, but I should like to point out that the commission was appointed by the present Prime Minister, and the report tabled is of national importance. Among other recommendations the commission stressed the importance of shipment through Canadian ports. When I refer to that part of the report I am certainly not advancing the claims of Halifax, Saint John, or any other single port. I refer to all Canadian ports, and with that thought in mind I address my observations to the Minister of Marine. After examining records and hearing the evidence of witnesses, they say:

> From the records, as we have examined them, we reach the conclusion that Nova Scotia was peculiarly unfortunate in the treatment which was accorded to the claims she pressed forward to the dominion government from time to time, with the result that no consideration—apart from the "better terms" of 1869, which were, in fact, an adjustment made as at 1867—was given her to meet what she regarded as her special wants and interests.

I want those words contained in the Duncan report to be borne in mind. They were made after the royal commission had made their investigation. The report goes on to say:

> At any rate, the result has been to prevent the healing which time and sympathetic understanding might well have achieved, to leave on the mind of Nova Scotia a sense of continuing injustice, and the feeling that, had her numbers and influence been greater, better treatment would have been accorded to her.

It is with that thought in mind, a better treatment for the maritimes and all our Canadian ports, that I am going to offer for consideration an amendment to be included as subsection 2 of section 4. I could make extended remarks upon it but the minister is familiar with all the arguments that have been advanced. I could cite the statement that was made by the late Sir Henry Thornton, when president of the Canadian National Railways, and his proposal to establish an office at Moncton to bring about closer cooperation between the maritimes, or, as he called it, between lower and upper Canada. I could also refer to many recommendations that have been made by other commissions, but without going into further detail I move that the following be inserted as subsection 2 of section 4:

> The board shall so direct, provide and procure that all freight destined for export by sea which is consigned within Canada for carriage to National Railways either at point of origin or between that and the sea shall, unless it has been by its shippers specifically routed otherwise, be exported through Canadian ports.

May I say that in pressing this amendment I am simply advocating what has been placed before the government and parliament of Canada time and again, that our goods should be shipped through our own Canadian ports. I could give the tonnage and so forth, but I do not think it would add to my case as the minister is already familiar with those facts. I would like to compliment the minister upon bringing forward this important bill and on the amendments that are provided in the reprinted bill. I feel that the bill is much more satisfactory now that certain changes have been made. I feel sure that it will have the support of all good Canadians provided that our goods are shipped through the facilities provided by our own ports.

Mr. FINN: Perhaps my hon. friend and colleague (Mr. Isnor) has overlooked the fact that in the Transcontinental railway act, which was a legislative agreement between the Grand Trunk and the then government of Canada, the very provision which he now desires to be placed in this bill was incorporated in that act.

Mr. ISNOR: Quite so.

Mr. FINN: And as the Transcontinental has been taken over and has become a part of the Canadian National railway system that clause applies to all parts of railways which are part and parcel of the Canadian National railway system. It might be advanced from a legal standpoint that there would be a conflict perhaps between a harbour board appointed by the government of Canada to function at Ottawa and the persons who go out to obtain freight for the Canadian National railway system. While the suggested amendment of my hon. colleague from Halifax is one which, I know, is near and dear to his heart, as it is also to mine, I would suggest that before his amendment is dealt with the minister might consult with the justice department or the hon. gentleman who is acting in the absence of the hon. Minister of Justice as to whether the placing of this specific amendment in this bill would in any way conflict with the legislative contract, which is stronger than a provision, that I have mentioned. When the government of Canada took over the Transcontinental there was placed a double responsibility on the government of Canada. First, the government placed it on the Grand Trunk, and then they took it back when they took over the Grand Trunk, so that we are in an even stronger position than before to ask the government of Canada to see to it that these very things are done which my hon. friend and I so much desire. I compliment my colleague from Halifax upon bringing this matter to the attention of the Minister of Marine and the committee, but I think it would be well if he would allow the amendment to stand until the minister has had an opportunity to discuss it with the Justice department to see whether it might in any way lead to a conflict between the government railways of Canada and the board to be appointed under this legislation.

Mr. WOODSWORTH: Speaking to the subsection under consideration I would like to associate myself with those who are urging that the government should not in any way undermine the principle of the Civil Service Act. It has been found necessary because of the incompetence of the various harbour boards that they should be brought under the direct control of this government. The local boards apparently have been very unsatisfactory. The minister himself has said that the waste has been shameful, and so on. It does seem to me that under those circumstances it is highly desirable that we should start off in the right way. If there is any sense whatever in having a large number of government

services come under the Civil Service Act, there is every reason why this new arm of the service should also come under the act. I cannot see that any case at all has been made for exempting this particular branch that will one day be essentially a part of the service. There are professional appointments to be made, technical and other officers, clerks and other employees. Surely we at Ottawa have all these classes of appointments in the various departments of government. It seems to me that no reason has yet been given for exempting this particular service from the Civil Service Act. I regret very much indeed that by this measure, if it is carried through, the government is doing a great deal to undermine the principle of the Civil Service Act. It is doing this in two ways. First of all, it is creating a new department which is being exempted for no good reason. I am afraid that we shall have patronage there as we have had it in other departments again and again. Second, it is exempting this great field from the rightful ambitions, shall I say, of those who might expect to be placed in positions under this service. Further, it has an adverse effect on other civil servants.

I notice that the next clause provides that the Government Employees Compensation Act is to apply to the people appointed under this board. I notice also that the Civil Service Superannuation Act is to apply. The next subsection provides that all the benefits given under this act are to be preserved. A man may be taken out of the ordinary civil service and placed under the jurisdiction of this harbours board at a larger salary than he has been receiving or is likely to receive. He is taken out of the regular line of promotion and suddenly advanced to a good position. Is it possible for the great body of civil servants to observe that kind of treatment with equanimity? They know this man is advanced and if anything happens to him under the harbours board he can return to the civil service; he retains all the rights which he would have had had he remained in the service proper. This is undermining the principles of the Civil Service Act in a very subtle way; it is undermining the morale of those appointed to the customs, the post office and other departments of the government.

I appeal to the minister to reconsider this matter. I think the hon. member for Argenteuil (Sir George Perley) was right when he said that if a case could be made out for the exemption of certain classes of employees, then that should be done, but that the others should come under the Civil Service Act. I cannot see where it would take more than a few hours to make the necessary classification in a matter of this kind. If this clause could stand and certain amendments could be introduced, we would affirm the principles of the civil service so necessary to the welfare of our nation.

Sir GEORGE PERLEY: In order that we might get on, perhaps the minister would let this clause stand and try and provide for the beginning at any rate of permanency in this service. This bill cannot go through until the Department of Transport is set up, and I think the minister might give this matter a little consideration.

Mr. HOWE: We are only at subsection 1 of section 4 and we have had two long sessions of the committee. Section 1 has been allowed to stand and it seems to me that we should try to make some progress. I can assure my hon. friend that this particular phase has been discussed and we believe it is quite impossible. I am sure he would not ask us to place a vast organization like this under the civil service commission. There is a time and place for all things.

Sir GEORGE PERLEY: I am not suggesting that it should all come under the civil service commission; I am suggesting that there are certain classes of the staff that could come under the commission. I think the minister should consider that. As I see it, this bill cannot go through this house until the Department of Transport has been set up and there is a Minister of Transport. We can consider it but it cannot go through under the rules of this house.

Mr. HOWE: I quite appreciate that, but I would point out that we should try to make some progress. This is the third month of parliament and we have debated this one section for nearly two hours. Surely we should try to consolidate the progress we have made.

Mr. McNEVIN (Victoria, Ont.): It seems to me that these employees are somewhat similar to the maintenance of way employees and running trades of the railways. I think you can eventually obtain the same permanency here as was obtained in the case of the railways. A permanent staff can be built up and I think we are only wasting time discussing the matter.

[Mr. Woodsworth.]

Mr. WALSH: I was interested this afternoon when the hon. member for Témiscouata (Mr. Pouliot) asserted his prerogative of dictating the rules of order of this house. I suggest that any hon. member who seeks to wrest that crown from his head should be severely dealt with. Speaking on the second reading of this bill I emphasized this particular point, and I want again to place myself on record. It is all very well for the Minister of Marine (Mr. Howe) to contemplate the pleasant picture I know he has in mind. I believe he is quite sincere when he says that the appointments to be made will be made in a businesslike manner, the same as they would be made in a private enterprise. If that were possible there could be absolutely no criticism of this clause, but it is not possible under present conditions. I think we need only consider the straining at the leash on the part of certain hon. members opposite who seem to be anxious for this clause to go through to realize that they are anticipating something in the way of political profit. With bated breath and whetted appetite they feel that they are approaching a political millennium as far as patronage is concerned. It is that very attitude which makes me feel that the minister should give more mature consideration to this particular clause at this particular time. Although I recognize that he is sincere in his desire to remove all positions from political patronage, the fact remains that he has not made his position secure. During the course of his remarks the hon. member for Winnipeg North Centre (Mr. Woodsworth) suggested that this measure was being introduced because of the incompetence of the various harbour boards. I do not think he meant to use those terms and I know the minister did not introduce this measure for that particular reason. We have had harbour boards in the past which were eminently competent.

Mr. WOODSWORTH: Would the hon. gentleman permit me to interrupt? I had in mind the statement made by the minister himself, who said:

> To me it shows the most shocking betrayal of public trust I have ever read in my life. I feel in one way that it should be put on Hansard so that the people of this country might learn something about harbour commissions; on the other hand I dislike to do this because it would certainly give the people a very unfortunate idea of how public affairs are conducted.

I based my statement upon those words.

Mr. WALSH: Apparently the hon. member has forgotten that the Minister of Marine seemed to have certain mental reservations because he qualified the statement which the hon. member has just quoted.

Mr. WOODSWORTH: I listened to his remarks and I did not hear any qualification whatever.

Mr. WALSH: I am assuming it was qualified for I hardly expect that the Minister of Marine would allow a statement of such severe criticism of previous harbour boards to stand in that particular manner. I just want to emphasize again my opposition to this clause although I am in general agreement with the principle of the bill. Along with the hon. member for Winnipeg North Centre and others who have expressed their opinions, I hope that some way will be found whereby political patronage can be absolutely eliminated from the management of our national harbours. If that can be done much money can be saved and greater efficiency established.

Progress reported.

## SUPPLEMENTARY ESTIMATES, 1936-37

A message from His Excellency the Governor General transmitting supplementary estimates for the financial year ending March 31, 1937, was presented by Hon. Charles A. Dunning (Minister of Finance) and read by Mr. Speaker to the house.

Mr. DUNNING: In moving that the estimates be referred to the committee of supply, perhaps I might be permitted a brief word in summarized explanation. The special supplementary estimates are designed to deal with those expenditures which the government deems necessary because of conditions now prevailing, as distinct from the main estimates which were designed to cover what might be described as the normal expenditures of the country. These estimates contain provision for projects already undertaken to the extent of $30,418,000; they contain provision for other projects to the extent of $28,430,000, or a total of $58,848,000 for projects already undertaken, and other projects. I may say that the division is maintained all through the details of the estimates as between these two classes of items. In addition, there is provision for $26,000,000 for grants in aid to the provinces with respect to direct relief, and provision for an estimated deficit of the Canadian National Railways of $39,900,000, a total in all of $124,748,000.

Sir GEORGE PERLEY: Is there no provision there for relief as such, except what is given through the provinces?

Mr. DUNNING: The other projects contain provision for that.

Mr. POULIOT: Will the estimates be given to members?

Mr. DUNNING: I have just received the estimates from the printer and have given instructions for distribution to be arranged as soon as copies come from the printing bureau, but I am not sure how soon that will be. I move that the estimates be referred to the committee of supply.

Motion agreed to.

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

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## Thursday, April 23, 1936

The house met at three o'clock.

### REPORTS OF COMMITTEES

#### MISCELLANEOUS PRIVATE BILLS

Mr. GEORGE W. McPHEE (Yorkton) presented the first report of the standing committee on miscellaneous private bills.

#### RAILWAYS AND SHIPPING

Sir EUGENE FISET (Rimouski) presented the first report of the standing committee on railways and shipping owned, operated and controlled by the government, and moved that the report be concurred in.

Motion agreed to.

#### CANADIAN RADIO COMMISSION

Mr. A. L. BEAUBIEN (Provencher) presented the first report of the special committee appointed to inquire into the operations of the Canadian radio commission and its administration of the Canadian Radio Broadcasting Act of 1932 and amendments, and the regulations made under authority thereof, and moved that the report be concurred in.

Motion agreed to.

### PRIVATE BILLS

#### FIRST READINGS—SENATE BILLS

Bill No. 48, respecting The Pension Fund Society of the Bank of Montreal.—Mr. Jacobs.

Bill No. 49, for the relief of Birdie Louise Coleman Wilson.—Mr. Jacobs.

[Sir George Perley.]

Bill No. 50, for the relief of Solomon Hyman, otherwise known as Saul or Sam Hyman.—Mr. Jacobs.

Bill No. 51, for the relief of Lewis Gould.—Mr. Jacobs.

Bill No. 52, for the relief of Hyman Stotland.—Mr. Reid (for Mr. Hanson).

### QUESTIONS

(Questions answered orally are indicated by an asterisk.)

#### AVIATION

Mr. McNIVEN (Regina City):

1. Will the government give consideration to a definite national civil aviation policy during this session of parliament?

2. If so, will it consider representations that such policy be administered and developed independently of any aeronautical development for military purposes?

3. Has any agreement been made with Imperial Airways for the trans-Canada transportation of transatlantic passengers and mail on all Canadian route?

4. Will it be possible to provide for substantially increased inspection of, and supervision over, all aircraft flying in Canada?

5. Will the government be able to make a substantially increased use of the facilities of the municipal airport in Regina during 1936?

Mr. RINFRET:

1. Under consideration.

2. The development of civil aviation will, as it has in the past, be administered and developed independently of any aeronautical developments for military purposes.

A resolution is now before the house, providing for the civil aviation branch of the Department of National Defence forming a part of the proposed department of transport.

3. No.

4. Yes.

5. No, as it is not expected that the construction of the trans-Canada highway will be far enough advanced to permit of any regular air services being operated during the year 1936.

#### C. N. DORION—DISMISSALS

Mr. LACROIX (Quebec-Montmorency):

1. How many postmasters were dismissed for political partisanship, upon the recommendation of Mr. C. N. Dorion, ex-member for Quebec-Montmorency, from August 1, 1930, to October 14, 1935?

2. What are their names?

Mr. ELLIOTT (Middlesex):

1. Seven postmasters were dismissed on the personal statement of Mr. Dorion, former member for Quebec-Montmorency.

2. Name—Post Office
Mrs. E. T. Hébert, Callières.
Jos. Leclerc, St. Pierre d'Orléans.
Eugène Gariepy, Ange Gardien Est.
Aimé Goudreault, Les Saules.
F. X. Jobin, Charlesbourg Ouest.
R. Gaulin, Boischatel.
Mrs. Martha Hayes, Rivière aux Pins.

HERVAY CHEMICAL COMPANY

Mr. BOULANGER:

1. For what periods, respectively, were audits made by (a) J. S. deBilly and (b) by Albert Allaire, of the books of the Hervay Chemical Company of St. Basile, Portneuf county, Quebec, to ascertain the amount of sales tax owed by that firm?
2. Were the books of the firm accurate?
3. If not, who discovered that some of the entries in the said books were incorrect?
4. Were the books of the company seized and conveyed to the office of the collector of inland revenue at Quebec, and, if so, by whom?
5. Did any employee of the firm admit under oath that entries in the books were false; if so, who was he, and upon what date did he make the statement?
6. Have any proceedings, for violation of the law, been taken against the company, its directors, or employees?
7. Have any politicians endeavoured to stop legal proceedings; if so, who are they?
8. What reasons were advanced for the resignation of Albert Allaire?
9. Who went to see him relative to the signing of his resignation?
10. What is the date of said resignation?

Mr. ILSLEY:

1. (a) May 19, 1920, to February 28, 1927.
(b) August 1, 1923, to May 1, 1933.
2. The books produced by the firm for Mr. deBilly's inspection were accurate. Additional books were produced, on demand by Mr. Allaire, for the period covered by his audit.
3. Answered by No. 2.
4. No record.
5. A declaration was made by E. A. Savery, accountant for the company, on May 18, 1931, before a commissioner of the superior court, which reads in part as follows:

"I declare that 50 per cent of the amount of tax and arrears appearing in the report from Mr. Allaire made in April and May, 1931, was not charged by the Hervay Chemical Company to the purchasing customers.

That 50 per cent of the tax which was charged to the different purchasers was not paid by the latter to the Hervay Chemical Company."

6. Action taken for refusal to produce books, but discontinued owing to defendant producing same before date fixed for return of writ into court.
7. No record.
8. Resignation requested because of neglect of duty.
9. J. S. deBilly, then supervising auditor for the province of Quebec, on instructions from the department at Ottawa.
10. Resignation dated March 5, 1934, to become effective March 16, 1934.

RADIO BROADCASTING—QUEBEC CITY

Mr. BOULANGER:

1. Who represents the Canadian Radio Broadcasting Commission as censor of broadcasts in the city of Quebec?
2. What is his salary or remuneration?
3. What are his duties?
4. Was he appointed by the Civil Service Commission, and if so (a) who were the other candidates, and (b) who determined their qualifications?
5. By whom was the said censor recommended?

Mr. HOWE:

The following information has been supplied by the Canadian Radio Broadcasting commission:

1. Jean Blais.
2. No salary or remuneration yet recommended.
3. To inspect continuities for political broadcasts for observance of article 90, rules and regulations, Canadian Radio Broadcasting commission.
4. No. See No. 2.
5. By the vice-chairman, Canadian Radio Broadcasting Commission.

Mr. BOULANGER:

1. Who is the manager of radio station CRCK in the city of Quebec?
2. What is his salary?
3. Upon what date was he appointed?
4. Was he appointed by the Civil Service Commission, and if so (a) who were the other candidates, and (b) who determined their qualifications?
5. By whom was the said manager recommended?

Mr. HOWE:

The following information has been supplied by the Canadian Radio Broadcasting Commission:

1. Position of manager, Station CRCK, Quebec, has not yet been authorized. The duties are performed by Mr. A. H. Houde, supervisor of studios.
2, 3, 4 and 5. See No. 1.

## HAMILTON RIFLE RANGE

On the orders of the day.

Mr. H. E. WILTON (Hamilton West): Mr. Speaker, before the orders of the day are called I should like to ask a question of the Minister of National Defence (Mr. Mackenzie). To-day I received a copy of the special supplementary estimates, and in looking through them I find no provision for a matter discussed some time ago regarding the establishment of a rifle range for militia units at Hamilton. I should like to ask the minister—

Mr. SPEAKER: I do not think that is a proper question to put on the orders of the day.

Mr. WILTON: I should like to put it in the form of a question.

Mr. SPEAKER: A question of this kind should be placed on the order paper, or asked through communication with the government.

Mr. WILTON: The only question I should like to ask is—

Some hon. MEMBERS: Order.

Mr. WILTON: —whether it would be included in additional supplementary estimates.

Mr. SPEAKER: The question should not be asked on the orders of the day. When the estimates are under consideration the matter may be taken up.

Mr. WILTON: It will be too late then.

## CANADIAN NATIONAL RAILWAYS

PROVISION FOR EXPENDITURE, INDEBTEDNESS AND THE REFUNDING OF MATURING OBLIGATIONS

Hon. CHARLES A. DUNNING (Minister of Finance) moved that the house go into committee to consider the following proposed resolution:

That it is expedient to bring in a measure respecting the Canadian National railways, to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1936, and to provide for the refunding of certain maturing financial obligations.

He said: The object of the resolution is to provide for capital expenditures and the refunding of capital obligations during the current fiscal period. The 1936 budget of the Canadian National Railways calls for a total amount of $49,859,000, made up of the moneys mentioned in the resolution plus $39,900,000 for net income cash deficit. The provision for the net income cash deficit is being made by way of vote in the special supplementary estimates. In regard to the bill founded upon the resolution now under discussion, the intention is to follow past practice and to refer it to the special committee on railways and shipping.

Motion agreed to and the house went into committee, Mr. Johnston (Lake Centre) in the chair.

Mr. BENNETT: This would seem to be the proper time to ask the government as to its policy with respect to the Canadian National Railways. We are now asked to vote a large sum of money for the purpose of providing for the deficit of 1936. It is true that in the supplementary estimates tabled yesterday there is an item dealing with anticipated deficits, but it will be observed that this resolution is to authorize provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1936, as well as to provide for the refunding of loans. That raises at once the acute question as to the policy of the administration with respect to this publicly owned property. If by this resolution we are to authorize, as we are, the payment of money to provide for the 1936 operations, it does seem to me that at least we should know something about them, what is involved in them and the general principle and practice that is to be pursued by the government in dealing with this problem.

Mr. DUNNING: The question of the right hon. gentleman is a perfectly proper one and will be dealt with fully by the house when it considers Bill No. 21 now standing as item 18 on the order paper. If it is desired to delay proceeding further with this resolution until Bill No. 21 has been dealt with, the government will raise no objection, although it would facilitate the proceedings generally to be able to get this measure before the special committee on railways and shipping in order to enable it to be advanced. Whatever the policy of the government may be as revealed by Bill No. 21, obviously capital expenditures on the railway will require to be made and certainly parliament will desire to make provision for the refunding of maturing obligations. But I shall not insist on pressing the matter if my right hon. friend desires that the question of general policy should be discussed prior to this measure being dealt with and referred to the special committee.

Mr. BENNETT: Mr. Chairman, the minister's answer is a very fair one, but there is a consideration which I think he overlooks. First, the budget of the railway is to be studied by the special committee. Obviously the details of that budget are prepared by the gov-

ernment officials, and upon the acquiescence of this house in the budget requirements of the railway depends the willingness of the house to enact the legislation contemplated by this resolution. Therefore it is not essential that the resolution or the bill founded upon it should be before the committee while they are studying the details of the budget requirements of the railway, because the bill is to give effect to the conclusions of the committee as to the amount of money that must be provided by this country to enable the railway company to meet its requirements. I think the minister will realize that the budget requirements of the railway are considered in detail by the committee, and when that has been done the bill founded upon it will be the logical sequence of such action on the part of the standing committee when its report has in turn been considered by the house. Let us assume the committee recommends that a capital expenditure of ten million dollars should be reduced to seven millions, or that some special expenditure which the budget contemplates should not be provided for this present year; in that event the budget requirements and the measure to be founded upon them would be correspondingly modified. That in my judgment is the sequence of events so far as we are concerned.

It does become important that the policy of the government should become known before this final action is taken, and I cannot see that the ministry would in any sense be prejudiced by this resolution standing until such time as the special committee has had the opportunity to consider the budget requirements of the railway as prepared and submitted to the government by the railway officials. I think the hon. gentleman's desire to expedite his measure will not in any sense be interfered with if he delays it until such time as the special committee has considered and reported upon the budget requirements of the railway.

Mr. DUNNING: Mr. Chairman, I thought as a former member of the standing committee that I was following the procedure which has usually been adopted, that it was customary for the budget of the railway to be considered by the committee concurrently with the legislation necessary to give effect to it. However, I do not desire to take up the time of the house to press the point. No interest will suffer in the immediate future by delaying the introduction of the bill founded on this resolution, and rather than have a long discussion about it I think I had better move that the committee rise, report progress, and ask leave to sit again.

Mr. STEVENS: Before the motion is put will the minister permit me to ask one question? It may be a reflection on myself but I do not quite recall the exact procedure in the past. My impression is that in the past we have dealt only with deficits in the year following the year in which the deficit was incurred. But it would appear by this resolution that this year the ministry is anticipating a deficit for 1936 and proposes now to make provision for it. Am I correct in that?

Mr. DUNNING: The hon. gentleman is correct. He will remember as a former member of the standing committee that the budget of the railways as presented to that committee always contained provision for an estimated deficit. That deficit was dealt with by the house not in the current session but in the succeeding session when the actual deficit became known. Inasmuch as a deficit will actually arise during the current calendar year the government deems it desirable to make provision for it now in the estimates, and to establish the practice of dealing with the estimated provision for it in advance. Then next year what comes before the house with respect to the calendar year 1936 will have to do with the extent to which the officers of the railways were in error in presenting their estimated deficit figure for this year. My own recollection of the procedure in the past is that the Canadian National Railway budget came before the house in rather a peculiar manner. The provision made in the estimates was for the deficit of a previous year, whereas the budget under consideration by the committee on railways and shipping was the estimated deficit of the current year plus provision for capital requirements and refunding such as is contemplated in the measure now under discussion. I really thought I was providing for the committee having before it the complete Canadian National budget when, on the one hand, we had yesterday provision in the supplementary estimates for the estimated deficit and to-day we are introducing a measure providing for the balance of the Canadian National Railway budget, being the amount required on capital account for new construction and other works and for refunding. To my mind the complete budget of the Canadian National Railways is not officially before the committee on railways and shipping until this measure, plus the provision in the estimates for the deficit, is before it.

However, if the committee desires to see it delayed until Bill No. 21 has been discussed, I shall, as I have stated, raise no objection.

Mr. STEVENS: I want to make it clear to the minister that at the moment I am not particularly criticizing the change. Personally I would like a little time to consider it, because it is a distinct departure. It involves, for instance, in this particular year, providing in the estimates for two years' deficits, and in subsequent years, if this method is followed, the deficits would be anticipated and provided for. There is just one point in that connection that occurs to me as worthy of consideration. If parliament, which is always looked upon as a sort of Santa Claus, actually in advance anticipates and provides for a certain estimated deficit, is there not a danger that parliament having provided, say, for a forty million dollar deficit, six months afterwards when the financial authorities controlling the railway find they have a deficit perhaps of only fifteen million dollars, they may say to themselves: "We are doing very well. We have not exhausted the forty million deficit provided for." Would there not be a tendency for the management of the road, good as it may be, to become a little less exacting in its efforts to reduce deficits and build up a sound system? Would there not be a tendency to encourage, shall I say, a little laxity? It is psychological; the point may be rather narrow, but I am inclined to think it should be considered carefully before this change is authorized. That is one reason why I would suggest—I am not objecting at all to the minister going ahead with this measure—that we should very carefully study and have a complete explanation of this departure from the practice that has obtained in the past.

Mr. DUNNING: The point of view expressed by my hon. friend has of course been very carefully considered by the government in the light of past experience on the part of the committee on railways and shipping. My hon. friend will remember, as a former member of that committee, that the committee was always faced with fait accompli—the deficit they were considering was one which they had to vote anyway because it had been incurred. There was only a restricted opportunity for the committee to say to the railway officers: "You are anticipating that you are going to lose so much money; show us why it is necessary, and show us whether it is not possible to reduce the loss." If this method is adopted the committee will always be dealing with an anticipated deficit and will not be hampered as it has been in the past by the statement: "The money is gone; you might as well make provision for it." I appreciate the point made by the hon. member for Kootenay East (Mr. Stevens) when he says that to set up an anticipated deficit in advance might have a psychological effect, but I am inclined to the view that it would be very bad for this country if the Canadian National officers looked at a figure which they themselves had arrived at presumably as the outside figure of their deficit and then figured they could coast along so long as they were close to it. I believe most railway operators would feel a certain pride in being able to improve upon a figure which in their dealings with the committee they had anticipated as the company deficit.

Mr. STEVENS: As a matter of fact, did not the officers of the railway disclose to the committee what was their anticipated deficit? I think that is always done in any case, although we do not actually provide for it. In other words, we do not sanction it. That is the difference between the minister's point of view and my own. As I say, the matter has come before me only at this moment and I am not prepared to dogmatize, but it struck me that this is rather a serious change in principle which ought to be very carefully thought over and studied.

Mr. BENNETT: The minister is entirely in error in his statement. When I asked for a statement as to policy I had in mind the fact that we voted $41,000,000 just before the Easter recess to take care of the Canadian National deficit for 1935. That was a deficit which had been examined into, in part, by the special committee.

Mr. DUNNING: Only in part.

Mr. BENNETT: It dealt with it in part, but it could not deal with the question of interest and so on. The budget was examined in detail for the purpose of ascertaining how they made up their expected deficit, but parliament has never voted money for an expected deficit, the money has never been voted until the deficit has arisen. It will be within the memory of every hon. member that we voted money this year to take care of that deficit. The minister explained that inasmuch as the financial arrangements made by the railway company contemplated their being provided with money to meet their deficit at the end of the year, he wanted this vote to go through in its entirety so that they might be able to meet their financial arrangements.

Mr. DUNNING: My right hon. friend will remember my embarrassment at the lack of opportunity for the standing committee to examine it under the circumstances.

Mr. BENNETT: The standing committee examined the budget for 1936—that budget was prepared last year—and it examined the budget for 1935. The minister brought in the legislation that was essential for the purpose of providing for capital expenditures, refunding and matters of that kind, but the railway company was on its toes, to use the language of the street, to make that deficit as low as possible. As a matter of fact it succeeded in making it much less than was anticipated at one time. To vote money in advance in anticipation of a deficit is something which I do not think is ever done in ordinary business enterprises. I was not going to discuss this matter until after the standing committee had discussed the budget, but I am bound to point out that when this is done one of two things happens. The amount estimated is usually an outside figure which it is not expected will be reached, or the figure is one which it is known is too low. Very often such a figure is put in so as to impress the committee with the fact that it has been pared down to the last sou, and then they find that conditions necessitate its being larger. On the other hand, if you take a figure of $50,000,000 and do not expect that your deficit will be that great, you are inviting, as the hon. member for Kootenay East (Mr. Stevens) has said, an effort to spend it on deferred maintenance and matters of that kind. I do not think this departure is a sound one, but I shall discuss it later when the budget of the railway company has been considered by the standing committee. I think the resolution might stand until the budget has been considered.

Mr. DUNNING: My right hon. friend would prefer that it does not go to the standing committee as yet?

Mr. BENNETT: Let them see the budget first, because the figure may be different from what it now is.

Mr. DUNNING: The railway budget is down.

Mr. BENNETT: It may be reduced by the committee. The budget is only before the committee; it has not been presented to the house.

Mr. DUNNING: It never is.

Mr. BENNETT: It reaches the house indirectly when the committee brings in its report.

Mr. DUNNING: I am content to move that the committee rise, report progress and ask leave to sit again.

Progress reported.

## NATIONAL HARBOURS BOARD

### PROVISION FOR ADMINISTRATION AND CONTROL OF PUBLIC HARBOURS

The house resumed from Wednesday, April 22, consideration in committee of Bill No. 17, respecting the national harbours board—Mr. Howe—Mr. Johnston (Lake Centre) in the chair.

The CHAIRMAN (Mr. Johnston, Lake Centre): When the committee rose last evening we were dealing with section 4, subsection 1.

On section 4, subsection 1—Officers, clerks and employees.

Mr. CAHAN: Before we proceed to the consideration of this section, I would like to ask the Minister of Marine (Mr. Howe) if he will lay on the table the opinion of the Department of Justice to which he referred in the discussion yesterday in connection with the necessity of inserting subsection 2 of section 3 in this bill. I have looked over the farm loan acts of 1927, 1934 and 1935, and I cannot see that the insertion of certain words in the farm loan acts necessitates the insertion of this subsection 2 in this bill; there does not appear to be any proper relationship between the two pieces of legislation.

Hon. C. D. HOWE (Minister of Marine): No specific written opinion was given on that point. The bill was drawn up by the solicitor of the department working with the solicitor of the Department of Justice. The representative of the Department of Justice assured me that there had been an opinion of the department, and I have no doubt the department would be glad to submit a written opinion if the hon. gentleman so wishes.

Mr. CAHAN: I inferred from the statement made by the minister that an opinion had been given, that the minister had referred to the department the suggestions I made on the second reading and that the department had decided against the views which I had then expressed. I do not wish to raise any irrelevant issues, but I have looked at the Farm Loan Acts of 1927, 1934 and 1935 and I

have found that the farm loan board, so far as I could ascertain, was not empowered by any of these acts to sue in its own name; therefore I could understand that for the purposes of suit on behalf of the farm loan board it might be deemed expedient to make a declaration that the farm loan board was the agent of His Majesty the King acting in the right of the dominion. I could understand that in that particular case such an innovation—I think it was an innovation—should be declared by statute; but I can see no analogy or relationship between the two bills which would render it necessary to insert in this bill, in section 3, subsection 2, that:

The board shall be a body corporate and politic—

With that I agree, but it goes on:

—and be and be deemed to be, for all the purposes of this act, the agent of His Majesty the King in his right of the Dominion of Canada.

I cannot think that that novel declaration should now be inserted in a bill of this kind constituting a commission which is empowered to sue and be sued in its own name.

Mr. HOWE: Would it be satisfactory to my hon. friend if there were obtained from the department and laid on the table an opinion with respect to the point he has raised?

Mr. CAHAN: Certainly, that is all I ask; I do not wish to embarrass the hon. gentleman.

Sir GEORGE PERLEY: Has the minister had time to consider the point we discussed a good while yesterday in regard to the best way of appointing the staff of the harbour board? I may say again that the only object we had in mind was to endeavour to have this board, which is really going to be a large new department, started in the best way, so that those who are employed might consider themselves permanent. In that way we should get better service than if they were subject to dismissal whenever there was a change of government. Has the hon. gentleman had time to consider this question further?

Mr. HOWE: I have thought the matter over carefully and I cannot agree with my hon. friend that we are making this board a department of government. There is no change in the administration of the harbour commissions except for the substitution, at the port, for a board of three, of a manager who is an expert in port management, and the creation of a link between the minister and these managers in the shape of a board

[Mr. Cahan.]

of three experts who will supervise the work of the seven commissioners. As I pointed out before, the set-up was indicated in Sir Alexander Gibb's report, which is word for word as we have it here. Sir Alexander was firmly of the opinion that the board should be free to make its own appointments and to control its own staff. I have before me a bill which I found on my desk entitled "An Act respecting the National Harbours Commission," dated March, 1933. This I believe was not presented to parliament in 1933 but it no doubt embodies the views of the government of that day, and there again I find that the provision is exactly the same as the provision in the present bill. I must say I am unable—

Sir GEORGE PERLEY: If the hon. gentleman will allow me to interrupt him, I would point out that, as he will find as he goes through the years, draft bills are brought in for the consideration of the government, and a draft bill does not necessarily embody at all the wishes or the ideas of the government. It is my own opinion that it is unreasonable for the minister to bring draft bills into the house and quote from them; it is a highly improper thing for him to refer to a draft bill which had no official existence and certainly cannot be said to embody the opinions of the government.

Mr. HOWE: I did not intend to make any improper reference to the bill in question; we were simply looking for all the information we could find bearing on the subject and I was hoping that the draft bill might contain some further information. I am unable to improve on the present wording of the bill.

Mr. BENNETT: There is involved in this a question of far-reaching importance.

Mr. FINN: Louder.

Mr. BENNETT: I am going to refer in a moment to the harbour of Halifax and I will speak loud enough for the hon. gentleman to hear me. The question is this: Is the port manager to appoint anybody he is told by the sitting member to appoint? That is the real issue. There have come to me during the last two weeks from various parts of the country reports indicating that members of parliament sitting on the government side have told port managers that they must appoint given people and dismiss given people in connection with the work of the ports, and I will give the names of the ports if it is thought desirable. These communications are supported by a wealth of testimony and are unquestionably sound so far as the facts are concerned. I have no desire to embarrass the minister or to

take up unnecessary time, but I would ask what is going to be the use of this scheme if, for instance, a member of parliament says, "I have seen the minister and Mr. Hawken and it is arranged that the port manager will receive instructions as to whom he shall appoint." That may or may not be true; but if he is to appoint John Smith because a member says, "Dear Ralph: You will appoint so and so to that particular job; you must do it because I have seen the minister and I have seen Mr. Hawken," where is that going to lead us?

I have heard the observation that we did not introduce this bill in pursuance of Sir Alexander Gibb's report. That is perfectly true. I did not introduce it and it is prefectly true also that I could not get it through—I wish to be quite frank with the house. The opposition of that day from Quebec was opposed to the bill as it now is. It was opposed to it then, and added to that the fact that our own friends were not in favour of it, dictator though I was I could not get this bill through—as I say, I want to be frank about it—and that is the reason why on the first occasion that offered I congratulated the Prime Minister in connection with the speech from the throne upon introducing the bill. I did so because I believed that unless it was done at the very first session it could not be done at all and would not be done. Had the fortunes of war been otherwise an effort would have been made to do it. Whether or not that effort would have succeeded I cannot say, but the hon. gentleman has succeeded and when he talks about a draft bill, immediately after the report we began to consider what form of bill might be utilized. But there never was submitted to council a draft bill in the sense of having finality, though there were discussions. I found, however, opposition among our own people as well as opposition from this side, led at that time by the present Minister of Justice (Mr. Lapointe), so that it would be absolutely impossible for us to get the bill through. When I say "impossible" I mean impossible in that sense.

Mr. POWER: I do not want to contradict the right hon. gentleman, and the Minister of Justice is not here, but I have no recollection of his having opposed any proposal to introduce a bill based on the Gibb report. I am speaking subject to correction, but I do not remember it.

Mr. BENNETT: Merely an expression of his disapproval of the report—that is what I am referring to. I am not going into details, because no bill was submitted to parliament. Not only did it come from one particular man on this side of the house, but we knew from expressions of opinion made to the then minister of marine that hon. gentlemen were unalterably opposed to the legislation, and the speech made the other evening by the hon. member for Outremont (Mr. Vien) represented a view taken by many of our own people. Now this bill is before the house. I say it means just one thing: it means the substitution of the port managers for the commissioners for the purpose of recording the views of the member for that particular constituency. Is that sound or not? That is the whole issue.

Mr. FINN: That is not so; R. W. Hendry's appointment was sound as port manager.

Mr. BENNETT: The senior member for Halifax says it is not sound. I am inclined to agree that it is not right. What has been put forward by us here is this, that it is idle to say all the positions should be filled by the civil service commission—no one suggests it for a moment; it would be both unfair and unjust to suggest that that should be so. On the other hand there are positions that should be so filled in order that continuity may be obtained and permanency secured, and in order that the service may be in keeping with what the minister has said is desired by reason of this bill being submitted to the house. If for instance an appointment to the harbour of Vancouver is to be made merely on the say-so of members of parliament directed to the port manager, then the port manager is not managing the port, he is managing patronage; that will be his job, and it will take too much of his time, too much of any man's time, to deal with it. There is nothing new about this condition. I was hoping that the result of this new measure would be to eliminate in part that very unfortunate state of affairs. I have been told of ports where there have been a thousand applications for employment—that has not been unusual during the last five years—and that men would get a chit from a member or a minister and thereby would immediately be given a position. I was hopeful from what the minister said when the bill was introduced that that condition would disappear. Of course I realize that it cannot be removed in its entirety, but it should disappear with respect to positions that are so important that in the public interest they should be filled by men who would enjoy an assurance of permanence and of continuity in the service, in order that we might get the best results. I submit to the minister that if the effect of this bill is merely to substitute the port manager for the commissioners in receiving

chits and instructions and directions, he will find that he has not accomplished what Sir Alexander Gibb in one of the paragraphs of the report refers to in connection with the "political" administration of the board. If the harbour is to be administered as a political unit, this bill has accomplished no purpose. The purpose might be accomplished by an order in council. How, for instance, does the minister function with respect to the engineer of the railway department and the employee of the marine department? What position do they occupy to-day? They have been going around the harbours giving instructions and directions. Under what authority?

Mr. HOWE: They were the commissioners, appointed by order in council.

Mr. BENNETT: Appointed by order in council to succeed the present commissioners. The same commissioners are commissioners for all the harbours, without regard to residence or anything of that sort; they are merely administering each of these harbours. That indicates the reason, I suppose: the question of who shall determine what men work in a harbour is more or less in the hands of these three gentleman who are resident long distances away. Although long distance telephones are very useful, it is difficult to have Vancouver harbour entirely officered at the instance of the three men who are here. Therefore some one locally must determine that matter, and you get back to the same condition that you have had for years.

If the minister will look at the records and see the number of men that have been dismissed in Vancouver since October 23, he will find that the usual practice has prevailed, that whenever there has been a change of government there has been a change of personnel. If it is a new Conservative government that comes in, they insist on certain men losing their positions and those positions being filled by others; and when a Liberal government comes in, vice versa. Now one hoped, and I think the people hoped, that there was going to be a retention in the service of fit men. If it were desirable I could give the names of two or three such, regardless of their political complexion—some had no politics at all, but they were appointed within the last five years, and that in itself was held to be such a deterrent to their continued employment that they were let out of their positions. I put it to the minister that if the effect of this measure is merely that certain members of parliament are to say to the port manager: This man must go to work and the other man must not go to work, depending entirely on their political views, the last state of this harbour is going to be worse than the first. That is a consideration that I do urge upon him; I think the public expects it to be regarded and it must be regarded if this bill is to become effective. The whole burden of one phase of Sir Alexander Gibb's report was the difficulty of making the operation of a port effective under political administration. No one suggests that all these positions should be filled by the civil service commission, but some effort should be made to secure men who have technical knowledge. For instance you have an acting manager at Saint John; you have a manager put in at Halifax. Each of these men may have admirable qualities, but his political associations are not unknown, and in the very nature of things he is supposed to give effect to the recommendations he receives. The same thing is true with respect to other parts of the country.

I can only urge the minister to realize that if we discuss the matter in this way it is not merely for the purpose of making political capital out of it, but with the earnest desire to see this experiment succeed. I am as anxious as the minister is to see it succeed, because it was the late government that asked Sir Alexander Gibb to come here; we discussed the matter with him fully; he went over it carefully and, realizing the difficulties, made his report after very mature consideration. If we are not to make any advance, but merely, as I say, to substitute the port manager for the former commisioners as the recipient of advice and to run the port as a purely political machine, then the very worst will follow instead of the best that we had hoped for.

Mr. HOWE: I find it rather difficult to discover the real position of my right hon. friend. In speaking to this bill the other day I was severely criticized by him for not giving the local managers more authority over hiring. I will read what he said about it:

> The other day there was a snow-storm in Montreal.

I call attention to that line because that is the only line that is correct as far as I can discover.

> The question of the removal of the snow was referred to Ottawa, as I am informed, and certain delays took place before the question was finally dealt with.
>
> An hon. Member: No.
>
> Mr. Bennett: I only know that those who were charged with responsibility in that port so informed me. There is no reason why this should not be known, and there were certain delays.

The question of how much authority the port manager should have is rather difficult. We are trying to set up a new order with reasonable permanence. The authority the port manager should have is something to be decided. Our first view was that he should have none, that he should not be able to hire or to dismiss men. He should be able to suspend men for cause, and notice should be given to the central board. The purpose is obvious; it is to stop the sort of thing my right hon. friend refers to. My right hon. friend criticized us for a situation that he assumed arose in Saint John, which if it had arisen would have been very wrong—

Mr. BENNETT: Montreal.

Mr. HOWE: In Montreal, rather, and there was criticism from other sources. We therefore relaxed the regulations in some cases. A case may have occurred in Halifax. As a matter of fact we did in Halifax and Vancouver give authority to the port managers to employ men on hourly wages. They have free authority in that regard, and the situation my right hon. friend spoke of might have arisen; I do not know whether it did or not. In any event, as I say, we have not the machinery set up, and until this bill is enacted and we get our board organized, we have very little chance of instituting a system that will work. We feel that the main consideration is not to interfere with the business of the ports; that has been the paramount consideration—we must keep the wheels operating. As to permanence, no one wishes permanence more than I do. Sir Alexander Gibb made a thorough study of the matter, and his opinion deserves weight; he is an excellent man and made an excellent report. He stated that the board—

> —should have wide discretionary powers in the matter of rates, salaries, terms of service, the settling and administration of contracts, the engagement of special technical assistance, the sanctioning of emergency capital expenditure, and the control generally of all construction and port operations.

I take the same view. It is a matter that has been under study for a long time, and that is what we hope to work out. We are working towards greater permanence of employment. I believe if the thing is allowed to work out as recommended by Sir Alexander Gibb we shall, over a period of years attain the certainty of service that they have in the Canadian National Railways and other well managed corporations. It is hardly fair to criticize us too severely if at the moment the wheels are not clicking just as they should. We are trying to change from one system to another; as long as we have no permanent legislation we are unable to make a permanent set-up. But I can assure the committee that if my intentions had not been along the lines that the other side are advocating I would not have brought this bill to the point it has now reached. I must say I am getting a bit fed up with it and my resistance is getting at a rather low ebb.

Mr. BENNETT: The last observation of the minister indicates that he has not been long experienced in the position he occupies, because he will learn by and by that he will get very weary of many things he may have to do. Patience is a virtue that far transcends all others in dealing with matters of this kind. He cannot deal with this as he would with a plan or design in a drafting room; one has to remember that there are 245 members of this house and they all have a right to express their views if they so desire.

I believe the hon. gentleman really has a desire to accomplish the purpose he has indicated. It was because we felt as we did about it that we asked Sir Alexander Gibb to come and make a report, and it is because we believe that report is a sound one that we are here to-day. When I spoke the other evening about local authority I was referring to the inadvisability of bureaucracy or centralized authority with respect to trifling matters. The minister now says he agrees with my view that the question of removing snow should not have to be submitted to Ottawa.

Mr. HOWE: It never was.

Mr. BENNETT: I said I was so informed.

Mr. HOWE: You said "by people in authority," and I questioned all the people in authority and all of them assure me that it was not. The decision was exactly the opposite.

Mr. BENNETT: Did they telephone to Ottawa for the purpose of receiving authority for removing snow? Is that true or not? They telephoned to Mr. Hawken, if you must know about it.

Mr. HOWE: Yes, that is true.

Mr. BENNETT: Well, that is my point. Why deny that there is any truth in it, when I know and could give the particulars?

Mr. HOWE: He did not call up for that; he simply asked in the conversation: "Is it all right to take on some men?"

Mr. BENNETT: The minister has a trained mind; surely he does not for a single moment—

Mr. HOWE: I am taking what the officers in charge said.

Mr. BENNETT: I heard the deputy say that the man was carrying on a conversation with Mr. Hawken about something else and asked for authority about removing the snow. I said I was so informed, and I said I did not believe the port manager should have to use the long distance telephone to get authority with respect to a matter such as that.

Mr. HOWE: Does my right hon. friend object to his asking the question when he was talking on the telephone?

Mr. BENNETT: No, but non constat he would not have done it anyway, but he saved two calls by doing it in one. The minister is not an inexperienced man, and I am surprised that he should endeavour to split hairs by making an observation such as that.

Mr. HOWE: I am surprised at the right hon. gentleman bringing up in the committee such a matter as snow shovelling.

Mr. BENNETT: It was to illustrate a point which the minister says is well taken, namely that the port manager should have authority to deal with such matters immediately without reference to Ottawa. I shall put a motion on the order paper asking for information as to the long distance telephone calls from Halifax since the situation came into being. As a matter of fact he did ask authority to remove the snow; that was my information and it turned out to be correct. The minister does not think I believe he rang up and asked if he could remove the snow, because probably the sun would have done it before he made up his mind. The point is simply that I believe the local manager should have reasonable authority, and I use this as an illustration.

Mr. HOWE: How much authority?

Mr. BENNETT: The question of the fixing of an arbitrary line where the authority of the port manager begins and ends is the reason we are pressing now for the civil service commission to exercise its authority to prevent hiring and firing, to use the language of the minister, with respect to all the appointments. It is idle to say that the men who keep the books and accounts should be subjected to the haunting spectre of being removed from their job at the instance of some politician or member of the House of Commons. It is idle to say that a man who is a policeman in Halifax shall be dismissed because a member of parliament says: "I want that job for someone else," and gives his name. That is the position that I say is wrong; that is what we are endeavouring to overcome. I certainly would not suggest that the port manager should be able to commit the port of Vancouver to a large capital expenditure, or that the port manager at Saint John should be able to enter into a contract for the construction of a new dock, nor yet that it should be necessary that men who are engaged from day to day or from hour to hour in the port should be permanently appointed. But when it comes to men employed in the keeping of the accounts and records, men who have to do with the technical administration of the port, there should be a certain permanency in their positions; for continuity of service makes for efficiency of administration. The earnest desire that industrial companies have to prevent change of employees finds sound application here. It seems to me that in all positions that involve continuity of service for longer than six months or a year or two years there should be some security. Mark you, the very definition added as to the power of the board is one reason which makes it essential that we assert this position. We say the board is a corporation capable of being sued and to sue, and that it is an agent of His Majesty the King. During the last fifteen or twenty years in Canada we have generally propounded the position that those who are employed by the crown in the class of service to which I refer shall have permanency and security of employment. It is only that; and because we make suggestions to the minister he must not assume that in any sense we are desirous of embarrassing him in the passing of his bill. Rather we desire to help him, and the suggestions we make are not of a political character. Only a few days ago his colleague sitting beside him placed a measure before the house. We read it and suggested the addition or deletion of a word here or another word there. He leaves the chamber thinking that perhaps the suggestions would improve the bill. We do not ask him to do it at our instance. His colleague then moves the suggested amendment.

We have a duty to discharge in this chamber. I have one for which I am paid, and I am bound to give the best I have to the country which pays me. Part of my duty is to make suggestions as to how I believe we can best attain an end. My suggestions may not be acted upon. I merely make them for what they are worth, and in no capricious or political spirit, but with the hope that they may be accepted for the purpose of improving legislation. Sometimes they are accepted by the government, and sometimes they are not. We urge them as strongly as possible, but the minister must not say he is almost prepared

to abandon his bill because people make suggestions. That stand would be an invitation to those opposed to the bill to keep up the fight a little longer in the hope that his already frayed nerves may become completely destroyed.

Mr. HOWE: We have now found what the right hon. gentleman wishes to know, and I believe I can help him considerably. If he has studied the bill he is aware that the accounting is to be under the Minister of Finance, and that the men doing the accounting are in the civil service. So far as the dismissal of engineers is concerned, I know of no engineer being dismissed for a great many years. Even subsequently to 1930 we find that the engineering staffs at all the harbours were the staffs which had been there for many years.

Mr. BENNETT: Some had contracts.

Mr. HOWE: Yes, but a great many had not. I do not think there has been any great trouble of the type he suggests in connection with technical men occupying responsible positions. I do not think they have been dismissed in the past, and I do not believe there will be a tendency to dismiss them. Whether we could go farther than we have, I doubt very much. We are trying to get the wheels turning, and we believe that without hurting the business of the ports we have gone as far as we can. After all, the one important point of which we are apt to lose track is that ports must operate efficiently, that business must be done through a port and that the wheels must turn with a minimum of friction. I am more afraid of obstructing the wheels of progress in the port than I am of one or two political appointments. My experience with political appointments is that the man you replace is apt to be as good as the man who replaces him. I believe the business of the country is more concerned with efficiency than with matters of that kind.

Mr. BENNETT: So do I.

Mr. FINN: Let me say to the right hon. leader of the opposition, who has singled out Halifax harbour for personal comment, that from his admissions one would think he had joined the Oxford movement, because he has confessed that he was in favour of immediately implementing the report of Sir Alexander Gibb, but that his colleague in the government and his supporters would not permit him to do so. It is a sad state of affairs when we have that statement from my friend, the right hon. the leader of the opposition and the once great Conservative party, who now deserves more than ever to sit in the cold shades of opposition.

Mr. MacNICOL: It will be a greater party after the next election, too.

Mr. FINN: It may be; no one knows. I hope that if the leader of the opposition lives—and I trust he may—he will follow the policy and procedure of the government of the present prime minister.

With reference to the port of Halifax and the harbour commission may I say that there have been but four removals. These removals were made after Mr. Cornell, an appointee under the government of the leader of the opposition, through the chairman of the commission, Colonel Phinney, was handed the four resignations which were accepted by the new port manager at Halifax. Mr. Cornell was an appointee not of the Liberal party or of the present government, but of the government which held office under the present leader of the opposition. No other removals or dismissals have taken place in connection with the harbour commission at Halifax.

I want to say here and now to the leader of the opposition that there was never such a spectacle as that to be seen after the provincial election of 1933, when the Hon. Angus L. Macdonald became Premier of Nova Scotia. It was found that members of the harbour commission, belonging to the party to which the leader of the opposition belongs, had started out to steal the franchise from the people of the province of Nova Scotia.

Mr. BENNETT: Mr. Chairman, I think I shall have to ask the hon. member to withdraw that statement. Men who are not in this house are charged with stealing something.

Mr. FINN: I did not say the leader of the opposition was a party to it.

Mr. BENNETT: It is far worse to say that people who have no chance to be heard are stealing than to make the statement about people who can be heard.

Some hon. MEMBERS: Go on.

Mr. FINN: Furthermore—

The CHAIRMAN (Mr. Johnston, Lake Centre): With regard to the point raised by the leader of the opposition, may I say that the hon. member did not make the charge that any hon. member of this house had done something wrongfully. The statement was made that certain people outside the house did something they should not have done.

Mr. BENNETT: He used the word "steal."

The CHAIRMAN (Mr. Johnston, Lake Centre): That is something he should not have done, but I do not believe the point taken by the leader of the opposition is well taken.

Mr. WALSH: Would the chairman endeavour—

Some hon. MEMBERS: Order.

Mr. WALSH: May I ask the chairman a question?

Some hon. MEMBERS: No.

Mr. WALSH: Would the chairman endeavour to keep the hon. member who has the floor strictly to the question under discussion?

Mr. BENNETT: He is talking provincial politics, and charges theft.

Mr. FINN: The hon. member who has just spoken (Mr. Walsh) must know something about what happened in Halifax, because he wants me to be kept strictly and closely to the line. I propose to do that. May I say that as a consequence of an investigation by a royal commission, at which both sides were represented by eminent counsel, some sixteen or eighteen men who held positions in departments of the government of which the Hon. Mr. Harrington was premier, or what was known as the Rhodes-Harrington government, were dismissed from office. I remember as a boy in the town of Dartmouth seeing a young man perform tricks such as pulling rabbits out of his sleeve, but that was nothing to the tricks that were played in putting members of the harbour commission out of office and replacing them with others, as was done under the leadership of my right hon. friend the present leader of the opposition, for I tell you, Mr. Chairman, that the commissioner of births, deaths and marriages was taken down to the harbour commission and made a timekeeper. Whether he was there to see whether they were born or not, or whether they were going to be born, I do not know. Another gentleman, a Mr. Stainer, who was in charge of the collection of automobile licence fees, was also taken down there and put into a nice position, which he holds at the present time. Then the ex-Minister of Agriculture of Nova Scotia, Mr. Goucher, who represented Annapolis, was also taken care of. Mr. Hetherington, the gentleman who was in charge at Halifax, must have thought they grew potatoes on the wharves, for instead of bringing in goods through our port to be used by our people, he brought the provincial ex-Minister of Agriculture down there to become a member of the commission of which Mr. Hetherington was the chairman. My right hon. friend the leader of the opposition cannot get away from his responsibility by telling this house in all humility that although he was called a dictator he could not possibly put the Gibb report into effect because the government and his party in the house would not permit it. Looking over the great men who have led parties in this country in the past, looking at the right hon. leader of the opposition as I do now, I have always thought him, and still think him, an outstanding man and leader in Canada, but I cannot help thinking that he allowed himself to be cajoled in connection with these particular appointments, and this gave my colleague from Halifax (Mr. Isnor) and myself the largest majority ever given in Halifax or in any constituency in Canada, a majority of over ten thousand.

The right hon. leader of the opposition speaks of the selection of the port manager. Let me tell him and hon. gentlemen opposite that Mr. Hendry has been in the shipping business in Halifax for the past twenty-five years, and is looked upon as an outstanding man by leaders in the city of Montreal and in the city of Halifax who are not Liberal. He is a graduate of Toronto university. He was made chairman of the tourist committee that was appointed by my right hon. friend opposite when he was Prime Minister. He is to-day a member of the city council and an ex-member of the council of the board of trade. He has personality; he has ability. The Halifax Herald, which is owned and controlled by Senator Dennis, said that it was one of the best appointments that could possibly have been made.

I ask my right hon. friend to look in retrospect at the appointments which he made. He appointed a gentleman, and he is a gentleman, but what was his occupation? He was the agent for Nova Scotia and the other maritime provinces for the sale of Tooke's shirts. He was placed on the harbour board to see that the port was developed. On his retirement my right hon. friend appointed Mr. Hetherington, who is a wholesale grocer, of John Tobin and Company, a citizen of whom any city might be proud. The last appointment my right hon. friend made was of the gentleman whom I have already mentioned, the provincial ex-Minister of Agriculture, and those three constituted the commission. When my right hon. friend went out of office those three gentlemen were relieved of their positions; Mr. Cornell, who was a traffic man, took charge of the port of Halifax; it was to him that the resignations of these other gentlemen were submitted, and the minister

through the acting board appointed four others in their places. I say to the leader of the opposition that I was opposed to the immediate removal of men without cause, and to-day my colleague from Halifax and I have the great satisfaction of knowing that of the 140 employees of the Halifax harbour commission only four have gone out of their own volition, their resignations being handed to Mr. Cornell, who was not our appointee but who is still retained and associated with the Department of Marine. So, when my right hon. friend pointed to the port of Halifax somebody must have told him something more than he told us to-day. I said something in the house yesterday; perhaps the right hon. gentleman as he was dropping off to sleep dreamed of it until it reached proportions of greater magnitude than it was, and in so doing he made a mistake. I hope that that was the explanation and that with that manliness which I know he possesses he will be more careful in the future in making statements which cannot be substantiated, at least in reference to the constituency of Halifax which is to-day represented in this house by my colleague (Mr. Isnor) and myself.

Sir GEORGE PERLEY: I should be sorry if this discussion degenerated into a partisan one. That is certainly not our intention at all. I told the committee yesterday that I certainly would not undertake to assess the blame for the state of affairs that existed in the different harbours through the years. Hon. gentlemen opposite might probably say that we dismissed more for political reasons than they did, and we could retort in kind. But that is not the question at all to-day. The minister has brought in a bill which I personally approve, and I congratulate him upon his courage in introducing it. It is for the purpose of bringing about an improvement in the administration of our harbours. We all want that, whether we are Liberals or Conservatives, and I think we can well leave out the question which party dismissed most for partisanship in the years gone by. That is beside the question to-day. The minister has it in mind to improve this service, and for that purpose he has brought down this legislation. All I can say is that the minister to-day has gone a long way towards meeting the views which we on this side of the house have in regard to these appointments. I say again to him, as I said yesterday, that surely there must be some way in which he could alter or amend section 4 to satisfy everybody that political motives will not govern in the dismissal or appointment of the classes of staff which ought to be permanent if efficient administration is to be maintained. I ask him again to consider this a little further to see if there is not some amendment he can suggest to try to meet his own and our views. If that is done, we could go on with the rest of the bill and see if we cannot make some headway.

The CHAIRMAN (Mr. Johnston, Lake Centre): Shall the subsection carry?

Sir GEORGE PERLEY: Does the minister prefer not to consider it?

Mr. HOWE: We might as well settle it now. I may say that this has been considered and Sir Alexander Gibb also considered it. The accounting staff has been put under the civil service and the heads of departments have not been disturbed. I prefer to see how this works out before we take any further steps.

Sir GEORGE PERLEY: In what way has the accounting staff been put under the civil service?

Mr. HOWE: The accounting is to be done by officials of the comptroller of the treasury and that office is under the civil service. These men will be civil servants.

Sir GEORGE PERLEY: What about the technical staff?

Subsection 1 agreed to.

On section 4, subsection 2—Government Employees' Compensation Act to apply.

Mr. CAHAN: This subsection simply provides that should the employees of this board meet with an accident their damages will be assessed as if they were government employees.

Mr. HOWE: That is correct.

Subsection agreed to.

Section agreed to.

Section 5, subsection 1, agreed to.

On section 5, subsection 2—Civil Service Act benefits preserved.

Mr. ILSLEY: I move that subsection 2 of section 5 of the said bill be amended: (a) by striking out the quotation marks where they appear in lines 3 and 4 of the subsection before and after the words "civil service" and "employee," and, (b) by inserting the word "that" after the word "servant" in the sixth line of the said subsection.

Sir GEORGE PERLEY: There are no quotation marks in the bill I have.

Mr. ILSLEY: I believe the hon. gentleman is looking at the reprint. In the bill as introduced there were quotation marks.

Amendment agreed to.

Subsection as amended agreed to.

Section as amended agreed to.

On section 6, subsection 1—Board to have jurisdiction over certain harbours, works and property.

Mr. CAHAN: There are two or three suggestions I should like to make with respect to this subsection. I do not intend to move amendments, but I should like to make some suggestions to the minister. My first suggestion is with regard to the clause "all works and property." I think section 2, which deals with definitions, should contain a clear statement as to what is meant by the word "works." The harbour commissions operate branch railways—in Montreal, they have a line of their own along the harbour front—elevators, elevator systems, wharves, docks, and so on, and I suggest that "works" should be defined so as to comprise all the works which are to be operated by the new harbour board.

My next suggestion is with reference to the phrase "shall likewise have administration, management and control of" in the fourth and fifth lines of the subsection. I suggest that another word should be inserted in order to make clear just what are to be the functions of the board. I think the minister should insert the word "operation" so that it will be clear that the board shall have administration, management, control and operation of all works. I think that is a very significant word and it should be inserted.

Then with regard to paragraph (a), which contains the phrase "all works and property which are now administered, managed and controlled by any of the corporations," I think a change should be made. When this act is proclaimed and goes into full force and effect there will be no corporation other than this board which will be administering, managing and controlling the property. Paragraph (a) might well read:

(a) all works and property which from the date of the coming into force of this act were administered, managed and controlled by any of the corporations.

I think that change is required if we are to avoid difficulty. I shall deal with subsection 2 later, but these suggestions with regard to subsection 1 are intended to be helpful so that the bill may be effective.

[Sir George Perley.]

Mr. HOWE: I think the last suggestion is a decided improvement. Perhaps the subsection can stand for the time being, or would the hon. member prefer to make an amendment now?

Mr. CAHAN: Section 2 dealing with definitions is being held over at my request, and when that section is being considered by the minister a proper definition of "works" can be inserted.

Subsection stands.

On section 6, subsection 2—Boundaries.

Mr. CAHAN: This subsection reads:

The boundaries of the harbours of Halifax, Saint John, Chicoutimi, Quebec, Three Rivers, Montreal and Vancouver shall be as described in schedule "B" to this act, or as may be determined from time to time by order of the governor in council and any such order shall be published in the Canada Gazette.

I am assuming that the boundaries which appear in this schedule, and which will be confirmed when this section passes, have been prepared by some person or persons who have special knowledge. I notice that the definition of the harbour of Vancouver is taken from the first act incorporating that harbour. I did not go through all the acts but I infer that that is so in each case. In connection with Montreal, however, the definition given in this schedule is not the exact phraseology of the definition given in the acts which created the harbour board of Montreal. All I am suggesting is that the minister should take care that in drafting the new definition of the area of the harbour of Montreal, as inserted in schedule B, it should be complete and effective. I am simply speaking from experience, because I have been called upon by private parties from time to time in the course of my legal experience to deal with the question of the boundaries of the harbour of Montreal, and I find that there is a very good description on some of the plans which issue from the engineering department of the harbour commission of Montreal. One that appears on this map is to me very clear. It says:

The eastern and western boundaries are defined by the natural banks of the river St. Lawrence at high water mark. The northern boundary extends from high water mark at the extreme northern end of the island of Montreal at Bout de l'Isle, eight and three-quarter miles below Longue Pointe Church across the river St. Lawrence, bearing due east astronomically to the high water mark on the opposite shore. The southern boundary extends across the river St. Lawrence from high water mark to high water mark 3,760 feet above and parallel to the Victoria bridge.

That is the latest description from the engineering staff of the harbour of Montreal. I do not intend to suggest any amendment to the definition of the area as given in this schedule to this section, but I am simply asking that the minister, who is himself an engineer and experienced in such matters, should be satisfied that the area as at present defined by statute should be included in the schedule with respect to Montreal.

Mr. HOWE: On that point I may say that I expressed some reluctance at putting this schedule in because we were not satisfied with the descriptions we had. The descriptions we have are the legal outlines as determined by the present harbour acts.

Mr. CAHAN: If that is so I am satisfied.

Mr. HOWE: The matter was carefully considered and that is the best we can do.

Mr. CAHAN: If that is so I am satisfied.

Mr. HOWE: It is the statutory description.

Mr. CAHAN: I am satisfied if it conforms, but the language is different from the language employed in the act. It also embodies the language employed in an act defining the harbour antecedent to the date of confederation. However, the minister is expert in such matters and I accept it. I do think however there is very serious objection to the last three lines of subsection 2 of section 6. In every case heretofore the boundaries of harbours have been defined and declared by statute. I do not think that the government should take by order in council the power to change those statutory boundaries either by increasing or by decreasing the area which they cover. In Montreal we have very special conditions. The harbour over which the new board will have jurisdiction extends to the natural banks of the river St. Lawrence at high water mark. Then with respect to the foreshore it will be found that grants have been given beyond the high water mark in a number of cases, and the bed of the stream, that is the bed of the harbour, is vested in fee simple in the crown in the right of the province. The extension of these boundaries by order in council will affect very many interests along the harbour front, if I may say so, or along either one or other of the banks of the river St. Lawrence, and I suggest that the government should not take power by order in council to increase or to reduce the statutory area. It would be a very simple matter to introduce at a later date a statute dealing with this question of boundaries. The extension of boundaries by order in council affects so many private and vested interests as well as interests of the government of the province of Quebec that I suggest to the minister he should go slowly in this matter and come to parliament if he wishes and by statute to redefine these boundaries.

Mr. HOWE: I think section 7 protects private interests against any jurisdiction there:

> ... nothing in section 6 hereof contained shall be deemed to give the board jurisdiction over or control of private property or rights ...

The Canada Shipping Act, which will be in force in August, and also the Government Harbours and Piers Act, give the government the right to determine harbour boundaries by order in council. The only reason this is mentioned here is that these harbours were excluded from the operation of those acts.

Mr. CAHAN: Are those bills which have not yet been introduced?

Mr. HOWE: No, they are both in effect. The Canada Shipping Act was passed last year, and it is in the old act as well and is in effect at the moment; so that we really have power to change harbour boundaries by order in council, unless in this bill we exclude ourselves from that power.

Mr. ILSLEY: In order to make the section comply with the bill as reprinted, I move that subsection 2 of section 6 be amended by striking out the words "the several acts constituting the corporations" in the seventh and eighth lines and substituting therefor the words "schedule B to this act." That is in the reprint now.

Sir GEORGE PERLEY: With respect to the authority by order in council to fix boundaries, I understand there is an act which gives authority in a general way but that these harbours are excluded from that act.

Mr. HOWE: Yes.

Sir GEORGE PERLEY: Is not my colleague correct when he says that heretofore the boundaries of these harbours have always been fixed by statute?

Mr. CAHAN: In every case, as far as I can discover.

Mr. HOWE: That is correct, yes.

Sir GEORGE PERLEY: Why not leave it that way? Parliament meets every year and it is easy to bring in a bill. Most of these harbours are important, and with all

due respect to The Canada Gazette I suggest that there are very few people who read it, and there might very well be passed an order in council changing boundaries, which would escape the notice of the ordinary citizen. I would ask the minister to explain why there is any necessity for altering the procedure that has been followed through the years in regard to these harbours.

Mr. HOWE: It seems rather an anomaly that, for instance, the boundary of Vancouver harbour must be determined by statute, whereas the boundary of Victoria harbour, a very important harbour, may be set by order in council. In the same way, Halifax harbour must be determined by statute, and Sydney harbour can be set by order in council quite legally; so also can Louisburg. I do not know why we should distinguish these seven harbours. I have no great objection, but—

Sir GEORGE PERLEY: I take it the reason is that these harbours are under dominion authority.

Mr. HOWE: So are the others.

Sir GEORGE PERLEY: But dominion authority in an entirely different sense. These harbours are administered by the dominion and their boundaries are fixed by statute. My hon. friend here perhaps feels that some person in one of these big cities would be prejudiced by the fact that an order in council was passed altering the boundaries of the harbour, he knowing nothing of it, although theoretically he is supposed to know, and he would be bound by it. I submit there is really no good reason why the procedure should be altered in this case.

Mr. POULIOT: There is a moving picture entitled Modern Times, by Charlie Chaplin, in which there is a board for television, and the gentleman in charge of that board sees all that is going on in the workshop. I wonder if such a device cannot be used to control the management of all the harbours by one person in Ottawa.

Mr. FINN: Before the amendment is carried I wish to ask the Minister of Marine a question with reference to schedule B, Halifax harbour. I am not a sailor or a navigator, but it says:

> For the purposes of this act, the harbour of Halifax shall include all the waters lying northwest of a line running north 56 degrees east and distant 3,500 feet southeasterly from Pleasant point, and including the waters of Bedford basin and the Northwest arm.

Just what does that include? Or might I put it this way; does it include the Dartmouth side of Halifax harbour?

[Sir George Perley.]

Mr. HOWE: Yes, all the waters of Bedford basin, the harbour of Halifax, the Northwest arm, the Halifax arm out of Chebucto head.

Mr. FINN: As I read this it looks as though for the purposes of this act the harbour of Halifax shall include all the waters lying northwest—that is westerly, the Dartmouth side is easterly—of a line running north 56 degrees east and distant, 3,500 feet southeasterly from Pleasant point, and including the waters of Bedford basin and the Northwest arm. The main harbour of Halifax has Halifax on the one hand and Dartmouth on the other. The district of Woodside contains the Acadian Sugar Refinery. The eastern passage district contains the Imperoil works. In the town of Dartmouth there is the skate and nail factory and the Consumers Cordage Company. I look forward to development on the eastern side of Halifax harbour, which is Dartmouth, and on the western side, which is Halifax, in the same relationship but not in the same degree as Carleton is to Saint John. The hopes and aspirations of the people of Dartmouth, the town in which I was born, have already been gratified by the building of a pier there. There is a Dartmouth branch to Windsor junction, which has now been continued on to Dean settlement, a distance of about seventy-two miles of railway, and this includes the Dartmouth shore, so that developments may take place there. But I wish to be assured that this definition of Halifax harbour is broad and wide enough to include the eastern side of Halifax harbour. I rather doubt that it does.

Mr. HOWE: I can positively assure my hon. friend that the Dartmouth shore of Halifax harbour is in the harbour just as much as the Halifax shore of Halifax harbour.

Mr. FINN: The only point is that according to this definition, for the purposes of this act the harbour of Halifax shall include all waters northwest of a line running north 56 degrees east. You get that point north 56 degrees east and then you go westerly. Now if that is in the centre of the harbour, although it includes specifically the Northwest arm and Bedford basin, it does not include the town of Dartmouth, and I am not able to take a chart and find out whether it does or not.

Mr. CAHAN: Will the hon. member allow me a moment? I looked into it, and it includes everything that was included in Halifax harbour by the earliest statutes down to the present. This schedule includes everything that was in the area of Halifax harbour in the early statutes of the province, and at later dates.

Mr. FINN: I accept the statement of my hon. friend the ex-secretary of state, but unfortunately he sits in opposition and is not responsible, and I would like to hear from the Minister of Marine who, sitting on this side of the house as a member of the government, is responsible.

Mr. HOWE: I thought I gave that before, but I may say that my hon. friend opposite is quite correct, in that this is exactly the description of Halifax harbour that has been in the statutes from the earliest times. It is taken word for word from the Harbour Commission Act of 1927.

Mr. ISNOR: Not quite. I hold in my hand a copy of the 1927 act.

Mr. FINN: I think the gentleman who drafted this particular section should have provided us with a plan or a little chart to show the location of this point north 56 degrees east and distant 3,500 feet southeasterly from Pleasant point. This is the latest statute, and as such will govern, and it seems to me that the description as set out here does not include Dartmouth but takes a point in the centre of the harbour and includes Bedford basin, the Northwest arm and northwesterly from this point, which means the Halifax side; and this could be very well cleared up by saying that it also includes the shore of Dartmouth, Woodside and Imperoil; then there would be no mistake.

Mr. HOWE: May I suggest that at the rate we are going we shall be at the schedule about two weeks from next Thursday. In the meantime perhaps the hon. gentleman could satisfy himself that the description is correct, and if any amendment is necessary he could bring it to our attention when the schedule comes up for approval. Is that satisfactory?

Mr. FINN: Yes. I do not doubt the hon. minister for a moment, but I should like to see a captain lay down the course the same as if he were taking a ship out of the harbour. I am perfectly satisfied with the statement of the minister; I am sure he intends what he says, but I would like it put in the statute if it is not there.

Mr. HOWE: I will undertake that if my hon. friend will check that up, before this bill is out of the committee stage he will have opportunity to suggest an amendment, if necessary.

Sir GEORGE PERLEY: Would the minister be willing that his colleague should move that this clause be amended by striking out the last three lines, if my hon. friend does not think them important?

Mr. HOWE: It becomes a matter of opinion, and I think the opinion of the government should have some weight. We think it would be better to leave the clause as it is. The matter is not one of vital importance.

Mr. CAHAN: Then I move:

That all the words after "this act" in the seventh line of subsection 2 of section 6 be struck out.

In other words, that the last three lines of subsection 2 of section 6 be struck out.

Mr. RINFRET: Substituting what?

Mr. CAHAN: Nothing.

Amendment (Mr. Cahan) negatived.

Mr. WOODSWORTH: Before we pass from this section I should like to have from the minister a fuller explanation of what is involved in taking over these works. The minister made a statement, to which reference was incidentally made yesterday. The statement was as follows; I quoted it yesterday:

To me it shows the most shocking betrayal of public trust I have ever read in my life. I feel in one way that it should be put on Hansard so that the people of this country might learn something about harbour commissions; on the other hand I dislike to do this because it would certainly give the people a very unfortunate idea of how public affairs are conducted.

Now, to a certain extent I think I agree with the leader of the opposition in saying that the minister has said either too much or too little. It is not a matter of making charges of graft or incompetence against any individual who has been on any of these harbour boards. I would be the last one to seek to drag a discussion of that kind on to the floor of this chamber; this house is not suited to be transformed into a court. On the other hand I would say that huge sums of public money have been expended on these harbours in the past, and evidently there have been incompetence and waste. I do not know that we can undo the past; at the same time, now that these properties are to be transferred to another board, I think the public have a right to know the liabilities of these various boards. We do not know that. I think the public have a right to know who is responsible for the huge deficits that have been piled up, which, I understand, have involved the government in paying interest at times, and have led to increased borrowings, while in other cases the boards have not been able to pay the interest due to the government. I think the public have a right to know that kind of thing. There may be a possibility of recovery of some of the moneys that have been misspent in the past.

Reference was made the other day to the Montreal harbour bridge. I recall when that matter was up in the house a few years ago; it is true that we had presented to us auditors' statements, but these statements did not go far enough. They revealed that the money was spent and that there were certain receipts to show for it, but they did not reveal who the responsible parties were. Now it was intimated to us the other day that many of these people are out of the country and we could not do anything about the matter. But that is not quite good enough. It is not merely a question of trying to place blame for the past; it is a question of safeguarding the interests of the country. We are not going far enough if we just let the minister say that there has been a shocking betrayal of public trust. That statement he has not withdrawn notwithstanding the efforts of one hon. member to make him do so, and he says that a revelation of what has taken place would give the people a very unfortunate idea of how public affairs are conducted. Well, I am not anxious to arouse further disgust on the part of the public as to the conduct of public affairs, but if we are going to get things straightened out some efforts must be made to place responsibility and to guard the public treasury in the future against the raids that have been made upon it in the past. I think it is quite proper that I should ask the minister to-day, not perhaps to give a long and detailed account, but at least to indicate a little more precisely than he has done the nature of these betrayals of public trust, and to point out what can be done about the situation, before we transfer the assets to the new board. Are we to forget all about the past and let the new board start, without any effort whatever to straighten out the matters that have been in such a tangle during the last few years?

Some hon. MEMBERS: Carried.

Mr. WOODSWORTH: No; I would like some further explanation from the minister on that point.

Mr. HOWE: I understand my hon. friend wishes to know the financial position of the harbour boards. If he will look at page 1413 of Hansard of March 24 last, when I made my introductory remarks on moving second reading of this bill, he will find the statement set out in full.

Mr. WOODSWORTH: I want to go further than that. Let me repeat the minister's words.

Mr. HOWE: The hon. member has repeated them twice; is that not sufficient?

[Mr. Woodsworth.]

Mr. WOODSWORTH: And I shall repeat them a third time. They are:

> To me it shows the most shocking betrayal of public trust I have ever read in my life.

The minister hesitates to put the details on Hansard, because the revelation would certainly give the people a very unfortunate idea of how public affairs are conducted. In view of these statements it is only fair that the public should have some idea of what the minister had in mind. Then, are we simply going to forget all about the waste of the past, and start from a new base line? Is there any chance of recovering any of these moneys which have been squandered? I think that is a fair question.

The CHAIRMAN (Mr. Johnston, Lake Centre): Shall subsection 2 as amended carry?

Mr. WOODSWORTH: I cannot force the minister to reply, but I must repeat that it would seem to be in the public interest that the minister should give some further explanation as to what lies behind his statement made the other day, and as to whether or not, in the interest of the public at large, it is possible to recover any part of the moneys squandered. Those are the two questions I am asking. Of course the government will have to take the responsibility of refusing to give the information to the public.

Some hon. MEMBERS: Carried.

Mr. CAHAN: I do not wish to interrupt the hon. member, but I should like to have it clearly understood that we are dealing with section 6, and that we have held subsection 1, paragraphs (a) and (b) in abeyance for the time being until the minister has time to consider the suggested amendment.

Mr. HOWE: Quite right.

The CHAIRMAN (Mr. Johnston, Lake Centre): Shall subsection 2 of section 6 carry?

Amendment (Mr. Ilsley) agreed to.

Subsection as amended agreed to.

Section stands.

Sections 7 and 8 agreed to.

On section 9—Harbour headline.

Mr. CAHAN: I confess my experience in dealing with harbours has been the experience of a lawyer who from time to time has been asked to give advice. Section 9, however, is novel in my experience. I do not believe there has been any such section in any harbour legislation that I have seen.

Mr. RYAN: We have a similar section in legislation for the Saint John harbour.

Mr. CAHAN: I am not familiar with Saint John harbour, but I understood that the projection of harbour lines was controlled by the Navigable Waters' Protection Act, chapter 140 of the Revised Statutes, and particularly by section 4 which reads:

4. No work shall be built or placed in, upon, over, under, through or across any navigable water unless the site thereof has been approved by the governor in council, nor unless such work is built, placed and maintained in accordance with plans and regulations approved or made by the governor in council.

Is that not sufficient? It applies to all navigable waters and to all harbours which are navigable waters. Why is the new section 9, which, as I understand it will be new and novel so far as the harbour of Montreal is concerned, now being inserted so as to apply to all harbours?

Mr. HOWE: I think the hon. member is mistaken. The harbours in which I have worked,—and I have worked in many of them,—have harbour headlines determined by order in council. As Montreal is on a navigable stream it may be a little different.

Mr. CAHAN: I am speaking simply from my personal memory and experience.

Mr. HOWE: I know that the ports of Halifax, Saint John, Vancouver, Port Arthur, Fort William and other ports have harbour headlines. That does not interfere with the Navigable Waters' Protection Act. The work inside the harbour headlines has to receive, so far as site is concerned, approval in accordance with the provisions of the Navigable Waters' Protection Act, but it is the usual custom in most harbours to establish the harbour headlines beyond which work cannot go in any event, either with or without consent under the provisions of the Navigable Waters' Protection Act.

Mr. CAHAN: Will the enactment of section 9 be as effective as the minister suggests? If enacted will section 9 override the Navigable Waters' Protection Act?

Mr. HOWE: To this extent, that regardless of the Navigable Waters' Protection Act nothing can be built beyond the harbour headline. That is true to-day. It is only a technical matter, because the department administering the Navigable Waters' Protection Act would not approve any construction extending beyond a harbour headline. It is not our intention in any way to stultify the working out of the Navigable Waters' Protection Act. The hon. member will find that this act is mentioned later on in the bill we are now discussing.

Mr. CAHAN: I shall not discuss the matter at length, because I have not looked up the information, but I am not clear that the enactment of section 9 would not reduce or preclude rights which have already been acquired by riparian owners in the city of Montreal.

Mr. HOWE: I may not be familiar with many features of the act, but I can assure my hon. friend that I am familiar with harbour headlines and with the Navigable Waters' Protection Act. I spent a great part of the last twenty years in building in harbours, and I am sure that nothing in this bill will in the slightest degree interfere with private property in the harbour of Montreal or elsewhere.

Section agreed to.

On section 10—Acquisition of real estate or personal property.

Mr. CAHAN: The minister is reconsidering a definition of "works," to include roads, railways and their equipment, warehouses and their equipment and so on. If a sufficiently broad definition is given to "works," this section would be satisfactory to me. I notice that subsection 2 reads:

2. All property acquired or held by the board shall be acquired and held in the name of His Majesty in his right of the Dominion of Canada.

That would be proper. I should like the minister, however, to reconsider that subsection when it is compared with section 37. I do not see how the two can be deemed compatible. The transfer of the property of the seven harbour boards to the new board will undoubtedly be an acquisition of that property by the new board. But section 37 provides that the new board, namely the board hereby declared as one corporation, shall:

... possess and be vested with all the works and undertakings and all other the powers, rights, privileges, franchises, assets, effects and properties, real, personal and mixed, belonging to, possessed by or vested in each of the corporations at or before the coming into force of this act.

How can section 10 prevail, which vests all these works and other property, real and personal, in his majesty in the right of the Dominion of Canada, if section 37 is to prevail, whereby the same works and the same

property are vested in the new harbour board? I am willing that section 10 be passed now, but I am calling attention to this discrepancy because I shall have considerable to say about section 37 when we come to discuss it.

Mr. HOWE: I think this perhaps looks more formidable than it really is because the property of all the boards except the Quebec board is already vested in the crown and administered by the local boards.

Mr. CAHAN: Then why reinvest it in the board?

Mr. HOWE: It is not reinvested in the board. It is to be held by his majesty in the right of the Dominion of Canada.

Mr. CAHAN: I agree with section 10, but I am simply giving notice now that when we come to discuss section 37 I shall contend that the provisions of section 37 are entirely inconsistent with the section we are now enacting.

Mr. HOWE: I shall be glad to take that into consideration.

Mr. ILSLEY: There is a formal amendment I have to move to bring the section into line with the reprint. I move that subsection 3 of section 10 be amended by striking out the words in the first line "Notwithstanding anything in this act" and by adding at the end of the subsection the following, "and for the purposes of this subsection, notwithstanding section thirty-nine hereof, the corporation concerned shall be deemed to continue to exist." The word "concerned" does not appear in the reprint and should appear.

Mr. CAHAN: I was going to deal with section 10, subsection 3. Subsection 3 is so loosely drawn that one cannot discuss it with patience. This bill should declare that upon the coming into force of this act all the property, works, effects and assets of the seven existing harbour boards should be vested by statute in the new harbour board. That being so, the old harbour boards should go entirely out of existence when this measure is brought into force. I think this section and another section of the bill, section 37, are loosely drawn and ineffective. They simply tend to becloud the issue. Section 37 reads:

> The corporations and the board are hereby declared to be amalgamated and to form one corporation.

In my opinion, and being careful of my language, I never saw a more equivocal suggestion made in a bill. You are not amalgamating or consolidating the old boards with the new board. You are in effect transferring all the properties of the old board, in so far as their operation, management and control are concerned, to a new board which is coming into existence upon the proclamation of this legislation. You are not consolidating or amalgamating the old boards with the new board, and therefore this provision which is contained in section 10, subsection 3, and which is carried to ridiculous extent in section 37, seems to me to be a provision which should not be found in a bill as carefully drafted as this bill should be.

Mr. HOWE: Some things that look ridiculous may not appear so ridiculous when we understand the facts. Several of these properties are mortgaged to the public. The Quebec commission have bonds in the hands of the public; the Montreal commission has Montreal bridge bonds in the hands of the public. We cannot get rid of these obligations of the corporations, which obligations are in the hands of the public at the present moment, although we may get rid of them in time, and so the wording is that we are amalgamating these corporations into one so as to preserve the corporate identity which is the security behind the bonds. This is to ensure that the corporate identity does not disappear immediately. My hon. friend says that the provision is ridiculous, but the Department of Justice says that this is the way to do it. There seems to be quite a gulf between the two.

Mr. CAHAN: With all deference I doubt whether you could get a certificate from the chief officers of the Department of Justice that this is the best way to do it.

Mr. HOWE: I consulted the Justice department, and I do not think they would let me down.

Mr. CAHAN: The suggestion is that certain of these corporations have bonds or charges or liens outstanding. Now the proper way to handle the matter, I would suggest, would be to transfer the property subject to these liens and charges, with a declaration in the bill that the liens and charges outstanding will be assumed and paid for by his majesty in the right of the dominion; that is, assumed and paid for by the dominion government. But when you come to deal with the amalgamation of corporations, I have been at this work for over forty years and I have not yet been able to acquire a clear knowledge of what a general provision for the amalgamation of one corporation with another means. We have endeavoured under companies' acts from time to time to determine

what amalgamation means in particular cases, but there is no definition in this bill, and I suggest that all you desire to accomplish is accomplished by a transfer of all the properties and effects of the seven boards, which are soon to go out of existence, to his majesty in the right of the Dominion of Canada, and a provision that all works and properties so transferred to his majesty shall be operated and controlled by the new harbour board, letting the old harbour boards and the old corporations go out of existence just as rapidly as you can get them out of existence. If you do that, you will be saved a great deal of anxiety in the future. I am making that suggestion which, I think, should be considered.

Mr. HOWE: We are just as anxious as is my hon. friend to put these old liabilities out of existence, but nevertheless the bonds are issued under a trust deed which specifies clearly the corporation that issues the bonds, and I do not think even the government of Canada without the consent of the trustees could wipe out those bonds.

Mr. CAHAN: I am suggesting not that they should be wiped out, but that a simple clause should be inserted stating that the new harbour board assumes all the liabilities, liens and charges outstanding; then you would provide for them as simply as if you were changing the name of the corporation to a new name. There is no difficulty about that. I am suggesting that the old corporations should be wiped out by this statute when it comes into force by proclamation, and that on that day the new board should stand in the shoes of each of the old corporations, assuming their liabilities and proceeding to operate the whole undertakings as contemplated by this bill. I am leaving that as a suggestion merely.

Amendment (Mr. Ilsley) agreed to.

Section 10 as amended agreed to.

On section 11, subsection 1—Acquisition of lands, etc.

Mr. RYAN: I would suggest to the minister that, if possible, instead of lands being acquired exclusively by expropriation under the Expropriation Act, the provision adopted in the Saint John Harbour Commissioners Act be inserted here. Section 13 of the Saint John Harbour Commissioners Act reads:

> Whenever the corporation desires to acquire any lands for any of the purposes of this act; should the corporation be unable to agree with the owner of such lands as to the price to be paid therefor, the corporation shall have the right to acquire such lands without the consent of the owner, and the provisions of the Railway Act, 1919, relating to the taking of land by railway companies shall, mutatis mutandis, be applicable to the acquisition of such lands by the corporation—

In many cases the lands to be expropriated are not of very great value, and if the Railway Act is applied proceedings can be carried on much cheaper, more speedily and much more satisfactorily to the parties concerned. Under the Railway Act it is simply a matter of taking out a summons and going before a county court judge; without any waste of time whatever a decision is arrived at. Hon. members know that the exchequer court, which has jurisdiction under this section, is a court which travels all over Canada. Dates of sittings are set far apart and matters are left in abeyance. Those who come before this court are put to considerable expense. It may be that large transactions should be brought before the exchequer court, but I think it would be in the interests of the small land owners to have the provisions of the Railway Act apply. This would serve a useful purpose and assist in the more expeditious carrying out of expropriation proceedings.

As I read the present bill, it does not give the new board an opportunity of negotiating with an owner to see whether an amicable settlement can be arrived at without court proceedings. Under the provision in the Saint John Harbour Commissioners Act the parties could negotiate and probably come to a friendly settlement without any trouble. If a settlement could not be arrived at, they could go to the county court, or, if necessary, to the supreme court where the judge could deal with the matter in as informal a way as it could be dealt with before a court. The judge would be sitting more or less in a ministerial capacity. From my experience I can say that this procedure would be more satisfactory to the land owner. When the Saint John harbour was taken over, it was necessary to acquire considerable property, and in every case the Railway Act was applied and settlements arrived at through negotiation or without any great trouble or expense.

Mr. ISNOR: Much the same provision is in the Halifax Harbour Commissioners Act.

Mr. HOWE: This matter was considered. It has been suggested that the land in our harbours is not very valuable, but I think experience has shown that the most valuable property we have in Canada is located in these harbours. It was felt that in a matter of this kind the Expropriation Act was a proper act to apply, under which a judge of

the exchequer court sits in judgment on the value of the property. That act was set up to deal with government property, such as this will be. I may say that there is nothing in the bill to prevent purchase by negotiation if that can be done to the satisfaction of both parties.

Sir GEORGE PERLEY: The previous section provides for that.

Mr. MacNICOL: Will the board be permitted to expropriate any land it desires without the approval of the minister?

Mr. CAHAN: It should have the approval of an order in council.

Sir GEORGE PERLEY: The previous section commences with the words "when previously authorized by the governor in council," but those words would not apply to section 11 the way it is drafted. I suggest to the minister that subsection 1 of section 11 should commence with the same words.

Mr. HOWE: Ordinarily an order in council is not required for an expropriation. An expropriation plan can be filed by a land surveyor or by any clerk acting on the instructions of any department of government. The payment would have to be authorized by order in council, but that is not required for the filing of the expropriation plan.

Sir GEORGE PERLEY: I quite understand that. If the board is buying a small piece of land, under section 10 it must get previous authority from the governor in council, but under section 11 it could expropriate a large property without reference at all to the governor in council. Does the minister want it that way? What I am suggesting is that the expropriation section should contain the same words as the previous section. Under section 10 the board cannot buy a small piece of property without going to the governor in council, whereas under section 11 they can expropriate a very large property without any reference to the governor in council.

Mr. CAHAN: And pay for it out of the consolidated fund.

Mr. HOWE: They can file expropriation plans, but they need not pay for the property.

Sir GEORGE PERLEY: If they do that the government will have to pay, whether or not they provide for it.

Mr. HOWE: Oh, no, you can abandon expropriations at any time prior to the time you pay for the property.

[Mr. Howe.]

Sir GEORGE PERLEY: Does the minister not wish to have those words in section 11? I am just trying to be helpful in the matter. Does the minister not wish that expropriation proceedings should first be submitted to the governor in council, as is provided for in the case of ordinary purchases?

Mr. HOWE: I think the reason for that section being in the Expropriation Act and in this bill is because expropriations must often be carried out speedily before they get out of hand. We are just following the ordinary government practice.

Mr. CAHAN: No, that is just what you are not following. Under the Expropriation Act it is the minister who must file the plans and proceed with the expropriation. I never knew of a minister who did that without previous authority from the privy council of which he is a member. As the hon. member for Argenteuil (Sir George Perley) has suggested, under section 11 the board may acquire and take over land and section 10 does not necessarily apply. This may be construed to mean that the board of itself may acquire lands by expropriation and when once it has so acquired lands, then the imperative clause of the section, to be found from line 34 to the end, comes into effect, to wit:

> The amount of any judgment upon each such proceeding shall be payable out of any unappropriated moneys forming part of the consolidated revenue fund of Canada.

If the board on its own initiative is authorized to proceed with expropriation proceedings and a judgment is given, then, ipso facto, the amount of the judgment is payable out of the unappropriated moneys forming part of the consolidated revenue fund of Canada. It thus becomes a charge upon the treasury of Canada without the parliament of Canada having received any notice of it or having made any appropriation therefor, possibly without the government knowing anything about it.

Mr. HOWE: I think my hon. friend is wrong when he suggests that litigation before the exchequer court could be carried on without the knowledge of the government of Canada, as the Department of Justice must represent the government before that court. I have the Expropriation Act before me and I quote from section 9 as follows:

> —a plan and description of such land signed by the minister, the deputy of the minister or the secretary of the department, or by the superintendent of the public work, or by an engineer of the department, or by a land surveyor duly licensed and sworn in—

Mr. CAHAN: Any of them may initiate an expropriation.

Sir GEORGE PERLEY: We are not suggesting that they cannot initiate it. What we are suggesting is that the minister would be protecting himself if he made section 11 begin in the same way as section 10. It does not even say that the minister has to agree to an expropriation or to sanction it before it is done; it does not even say that. We are only suggesting, for the protection of the crown, that the words with which section 10 begins should introduce section 11, and personally I cannot see any reason why the two sections should not begin in the same way.

Mr. CAHAN: The words in section 10, subsection 1, are, "When previously authorized by the governor in council." The right hon. member for Argenteuil suggests that those words should be inserted in section 11, subsection 1.

Mr. HOWE: I do not see that it makes any practical difference. The idea was that the board might need to deal with an emergent situation. I think the danger is more real than apparent, but there is no serious reason why we should not comply with the suggestion.

Mr. CAHAN: Why not do so then?

Mr. ILSLEY: I move that before the word "the" in the first line of section 11 there be inserted the words "When previously authorized by the governor in council."

Amendment agreed to.

Section 11, subsection 1, as amended, agreed to.

Section 11, subsection 2, agreed to.

On section 11, subsection 3—Ascertainment of compensation.

Mr. CAHAN: I can see no reason why the provisions of the Expropriation Act should not apply. The last sentence reads:

> The amount of any judgment upon each such proceeding shall be payable out of any unappropriated moneys forming part of the consolidated revenue fund of Canada.

I can see no reason for the insertion of these words here when section 34 of the Expropriation Act is excluded by the insertion of this clause. Section 34 of the Expropriation Act provides that:

> The Minister of Finance may pay to any person, out of any unappropriated moneys forming part of the consolidated revenue fund of Canada, any sum to which, under the judgment of the court, in virtue of the provisions of this act, he is entitled as compensation money or costs.

Why not make the Expropriation Act apply to the entire proceedings taken under the authority of the order in council authorizing the board to apply it?

Mr. HOWE: I am told that it does not make any difference whether we accept this suggestion or not; the effect is the same. But inasmuch as we have accepted one of the suggestions of my hon. friend he might let our view prevail on the second question.

Mr. CAHAN: I am trying to get this bill into some form which I myself approve, so that another branch of this legislature might not treat our efforts with ridicule, to say the least. Let us make provisions which we can stand by when this bill leaves this house for the consideration of another branch of parliament.

Mr. ILSLEY: The hon. gentleman's point is that the words are unnecessary.

Sir GEORGE PERLEY: That is all.

Mr. ILSLEY: I move that all the words from the word "the," after the word "Act" in line 34, to the end be struck out.

Amendment agreed to.

Mr. CAMERON (Cape Breton): If these words are to be struck out you might as well strike out the whole subsection and allow the matter to go under the Expropriation Act altogether.

Mr. CAHAN: Unless that is done, there should be a change in line 3, of subsection 3 to provide that the compensation payable in respect to the taking of any lands so vested in his majesty, or of any interest therein, shall be "ascertained and paid" in accordance with the provisions of the Expropriation Act.

Mr. ILSLEY: We are going very far to meet the hon. gentleman. It does not make any difference, but we desire to get ahead. I move that the words "and paid" be inserted after the word "ascertained."

Mr. CAHAN: It makes a great deal of difference whether you adhere to the general terms of the Expropriation Act and the provisions for payment under it, or whether you provide a new method in every special act. This parliament should set its face against making any specific changes of that kind and should allow the general acts to apply.

The CHAIRMAN (Mr. Johnston, Lake Centre): It has been moved that after the word "ascertained," in line 28, subsection 3, there be inserted the words "and paid." Shall the amendment carry?

Amendment agreed to.

Section 11, subsection 3 agreed to.

Section as amended agreed to.

Section 12 agreed to.

On section 13—Bylaws:

Mr. ILSLEY: There again I have to move a formal amendment:

That paragraph (h) subsection 1 of section 13 of the said bill be amended by adding after the word "violating" in the second line of the said paragraph the words "or not observing."

It is in the reprint.

The CHAIRMAN (Mr. Johnston, Lake Centre): Is the amendment carried?

Mr. CAHAN: You may carry the amendment but please do not carry the section, for the present. With regard to section 13, I have very strong objections to it. This section provides that the board may make bylaws. This board in my view is in essence and effect a new department of government, and in dealing with any new department of government we have for a long time provided that the rules and regulations for carrying into effect the act constituting that body should be made by the governor in council. We have made that provision with regard to the relief commission; we made it with respect to many government commissions. I know that a great deal of opposition centres upon a government which attempts to legislate by order in council, but my view is that it is necessary and altogether expedient that, with regard to the administration of acts which are new, the government should be vested with authority or power to make rules and regulations which, when published in the Canada Gazette, should have the force of law, and that the usual objections to such rules and regulations when made by the governor in council and published in the Canada Gazette should not be entertained. But here is a board, and a government board, dealing with millions of dollars' worth of property which is vested in the crown in the right of the dominion government. It was regarded as objectionable by many gentlemen who sat on the opposition benches during the past five years if we vested in the governor in council authority to make rules and regulations governing the operations of such a board. Such rules and regulations are necessary, but I say it is altogether inexpedient to vest such legislative power in the three gentlemen who are to be vested with authority as commissioners under this proposed measure. Let the board make its recommendations to the minister; let the minister make those recommendations to the governor in council. But I insist that every rule or regulation, call it bylaw or call it regulation, which is finally put into effect, having the force of law, and which governs all matters of external interest, should be made by an order in council recommended in the ordinary course to council by the minister, and then approved and confirmed by the privy council and published in the Canada Gazette where every person may take cognizance of it. I think there is a clear distinction between such rules and the regulations which the commissioners may make with regard to their own internal management, such as the rules and regulations they may make as to the attendance of their officers and servants, matters of internal management. That is one thing: I have no objection to the commissioners making such regulations, or bylaws, but I certainly object in this day of responsible government to appointing three gentlemen to be in control of the harbour commissions of Canada and then allowing them to sit in the place of parliament and in the place and stead of government and legislate with regard to the carrying into effect and administration of the act. That is such a sorry suggestion that I cannot think the committee, after due consideration, will agree to it.

Mr. HOWE: This also was put in after considerable study. Perhaps my hon. friend has spent a great deal of time in courts of law and has not been out sufficiently in the firing line of business. We must remember that these harbours have emergent conditions to meet. For example, some time ago there was a grave danger of a boat carrying away a pier in Vancouver harbour, and it was necessary immediately to impose a regulation governing the movement of boats near that bridge. Such things happen quickly around harbours. We are not in this matter jumping off the end of the dock, so to speak. The same regulation is in the grain act, and for the same reason. The board of grain commissioners have power to impose regulations and the governor in council has the power of disallowance. This measure is taken from that act, and is taken for what we thought the very good purpose of allowing necessary

action to be taken promptly. As we all know the privy council sometimes does not sit for considerable periods of time, and sometimes action has to be taken immediately. No serious harm can be done, because the council, which may allow in one case, can disallow in another. Its full rights are preserved under this section.

Mr. CAHAN: I do not think so. The hon. gentleman has made some reference to the experience of a lawyer, but I will venture to put my experience with his in the administration of large undertakings, both in regard to their construction and their operation. Although I have not perhaps the technical training which he has. I have had that experience, and in the light of it I say that there are certain regulations which the harbour commission should be authorized to make, dealing with internal management, but there are others which should be made by bylaws, if you will, authorized or confirmed by the government which must take the responsibility with respect to them. These are regulations of a permanent character. Take for instance:

(b) the use of the harbours and their facilities by vessels and aircraft—

And so on. Permanent regulations should be made in that regard.

Mr. HOWE: But temporary regulations may be necessary sometimes.

Amendment (Mr. Ilsley) agreed to.

At six o'clock the committee took recess.

## After Recess

The committee resumed at eight o'clock.

Mr. CAHAN: When the committee rose I was calling attention to the fact that the bylaws which are to be made by the board under section 13 are in effect given the same force of law as if enacted by parliament, and inserted in this bill. The provision is subsection 6:

Any such bylaw upon coming into force and effect shall, unless and until disallowed as in subsection 5 of this section provided for, have the same force and effect as if enacted herein.

That subsection, taken with the other subsections, provides that the commissioners may proceed to legislate as effectively as if the bylaws were considered and enacted by the parliament of Canada.

I also called attention to the fact that in years past, especially during the past five years, strong opposition was made to certain provisions which authorized the governor in council to make rules and regulations—call them bylaws if you will—with regard to the effective administration of the acts then being passed. For my own part and on the part of my colleagues in the late government, we at times suggested that it was impossible, in drafting and enacting a new measure of such comprehensive character as this, to formulate and insert in the original act the bylaws or rules and regulations governing the administration of the act, which bylaws necessarily have to be amended from time to time. But this section and subsection go very much further. This is a case of providing, not that the governor in council may make bylaws, rules and regulations having the force and effect of the statutes, but that three gentlemen appointed by the governor in council shall have authority to enact bylaws which will have the same force and effect as if incorporated in the act passed and enacted by the parliament of Canada. That is going far beyond anything to which my hon. friends opposite have called attention in the past and which was the subject of their very severe criticisms.

I do not intend to draft a provision which will take the place of section 13 in its entirety, but I suggested that with regard to bylaws which cover and control the internal management of the board, dealing with its own employees, their respective duties and times of attendance and the like, it should be quite competent for the three members of the harbour commission to make such bylaws. But when it is a case of making bylaws which affect vast public and private interests and which have the force of legislation, then new conditions arise. Call them bylaws or orders or rules or regulations as you will; the term applied is not important, but they should be recommended in due course by the minister to the governor in council and should be authorized and confirmed by council and published in the Canada Gazette. Then, when the public who are interested have notice by such publication, such bylaws should be as fully effective as if incorporated in the statute. I was suggesting to the minister that section 13 should be amended in accordance with that proposal.

Take, for instance, some of these provisions:

(b) the use of the harbours and their facilities by vessels and aircraft and the agents, owners, masters or consignees of the same; and for the lease or allotment of any of the harbour property, plant or facilities.

If special bylaws are required dealing with those matters, I think they should be confirmed by order of the governor in council. Take the next paragraph:

(c) the regulations of the construction and maintenance of wharves, piers, buildings or any other structures within the limits of the harbours, and anything incidental thereto.

With regard to a great harbour such as Montreal, with its vast population and commercial and mercantile interests, these bylaws will affect very many interests. Therefore they should be confirmed by orders in council and become effective only when they have been published in the Canada Gazette, so that all parties interested may have proper notice of what the law is, since a succeeding section gives them the same force and effect as if incorporated in the statutes.

The making of such bylaws is an act of legislation for which parliament has conferred power upon the governor in council from time to time, but which should be very reluctantly conferred upon the gentlemen appointed by order in council as commissioners of the harbour board. Take paragraph (d), which states:

(d) the imposition and collection of tolls for any use of any bridge under the administration, management and control of the board.

That is an important matter. The governor in council should take the responsibility for such charges, and they should be made known, as the imposition of all such changes is made known, by publication in an official journal. Then, turning to paragraph (e) we find that it deals with the imposition and collection of rates and tolls on vessels or aircraft, and so on. Then paragraph (f) deals with:

(f) the regulations of all plant, machinery or appliances, whether floating or not, for loading or unloading vessels, including the power to prescribe that none shall enter any harbour or remain in it without the permission of the board—

And so on. Those by-laws also are of the nature of legislative enactments which, if they are to have the same force and effect as if incorporated in the statute, should be made by the governor in council, and they should be published in the Canada Gazette so as to give notice to the vast commercial and mercantile interests of a great city such as Montreal of the duties, obligations and penalties thereby imposed upon them.

Then, paragraph (g) deals with:

(g) the granting of pensions and/or the making of contributions to pension or insurance funds and the providing of annuities for employees of the board.

[Mr. Cahan.]

That partakes of a dual character. These matters involve large expenditures of public funds, and I suggest that the rules and regulations governing such expenditures should be authorized and approved by the governor in council, because they are really legislative matters. In effect they are a sort of usurpation of parliamentary power and authority but, as we have found in practice, such usurpation is sometimes necessary. Never before have I noticed in the statutes power given to three gentlemen who may be appointed as a board, to sit in the place of parliament and to enact new laws for the proper administration of a particular act.

In closing may I say that I have not drafted any section in amendment, but I believe the section might well be redrafted. I think the ordinary procedure should be that the minister, as advised by the members of the board or otherwise, should make the usual recommendations to the governor in council, and that the governor in council should enact the bylaws or rules and regulations which are to govern, or at least approve them before they are enforceable. I should like again to impress that suggestion upon the minister.

Mr. HOWE: As my hon. friend knows, I am exceedingly anxious to fall in with his views. I wonder whether this amendment would meet the situation he has in mind:

That subsection 4 of section 13 of the said bill be stricken out and the following substituted therefor: "No such bylaw nor any part thereof which affects any person, other than the board or the officers or employees of the board, shall have force and effect until confirmed by the governor in council and published in The Canada Gazette."

Mr. CAHAN: That is very much better.

Mr. HOWE: Does it suit the hon. member, because after all if we are attempting to please him we might as well be sure that we do.

Mr. BENNETT: It is not a question of pleasing us.

Mr. CAHAN: Not at all. We are trying to put the bill into as good shape as possible, so that it may meet with as little opposition as possible when it is considered in another place.

Mr. BENNETT: Once more I ask the minister to try to disabuse his mind of the thought that it is a question of pleasing us, at all. What we are endeavouring to do is to submit suggestions that, we believe, are in the public interest, and I must say that I do not think anywhere in any legislation you

will find anything analogous to this. Frankly, I know of no such measure anywhere. It confers upon three men, the names of whom have been given from time to time—they may or may not be the men who will be appointed —power to do what this parliament would take days to do, and this parliament is composed of three branches, the commons, the senate and the crown. Surely the hon. gentleman is not serious in asking us to sit here and agree to this section being enacted as it stands. I am quite sure that if he had followed the discussion of the last five years in the House of Commons he would realize that nothing ever approaching this was suggested. The publication of our statutes at least enables people to know when they are violating them. Under this provision the bylaws immediately become effective, and there is no provision for their being published.

Take the question of the granting of pensions, for instance. Here are three men who may give pensions to employees of the board. I may say there is one case, relating to the harbour of Montreal, which promoted a great deal of discussion, and in connection with which there was a grave difference of opinion among lawyers advising the board. That case is well known to everybody.

I am sure the minister has no desire that the revenues of the board should thus be placed in the hands of three men, however eminent they may be, to dispose of by way of pensions, annuities or otherwise. This section confers greater powers than are exercised by legislatures, and especially those which have to deal with complicated questions of navigation. For instance, I suppose the minister realizes that in connection with the harbour of Victoria a question arose as to permitting aircraft or aeroplanes coming from Seattle to land in the harbour. This measure gives power to the board to make a bylaw which would deal with that situation, fraught as it is with most difficult and complex international considerations. The question is bristling with difficulties.

Without again going over the ground my colleague has covered, I suggest that if the board passes bylaws they should become effective only when they have been approved by the governor in council, and should have the force of law from a date fixed by publication in the Gazette.

The minister must realize that subsection 4 of section 6 as amended does not touch the principle at all, and is not ample for the purpose we have in mind. It is merely a palliative, not a remedy. I suggest that the best interests of all would be preserved if the section were allowed to stand and were redrafted, because as my colleague has said we do not desire to suggest what bills should contain, but we do desire to suggest what they should not contain. The redrafting may be done by the law officers whose duty this is. I implore the government not to try to put through section 13 as it stands, because if they do they will regret it all the days of their lives. In addition it is so contrary to everything they have contended for during the last five years. I remember my friend the Postmaster General (Mr. Elliott) waxing eloquent one evening in connection with a modest exercise of the powers of the governor in council in connection with legislation then being introduced. I wonder what he thinks of this.

Mr. ELLIOTT (Middlesex): I do not think my protest had much effect as far as I remember.

Mr. BENNETT: Oh, yes, it did, because we provided for publication in the Canada Gazette, and the then Secretary of State made a provision by which no bylaw under the Patent Act could become effective until certain prerequisites had been observed and opportunity afforded to everyone to know what the law was. As this section stands now, it will be admitted that it is a terrible strain on the public to know what the law is. There is no means of knowing for it touches all these numerous and difficult questions. To attempt to modify the section here by amendment is impossible. It requires consideration of the whole problem from the standpoint of whether or not power shall be given to the governor in council and the bylaws shall become effective on a date to be named. This section gives power to three men to do as much as the bill itself does with respect to all the matters therein named. The bill itself requires the assent of the commons, the senate, and the crown, but by this section we are going to give three men, without seats in parliament, without responsibility to anyone, power to pass bylaws with respect to all these matters. The minister will be the first to complain if he finds a situation develop as I think it may. I suggest that the proper thing to do is to have the section redrafted to give effect to what I conceive to be the minister's desire and the true principle which governs in the control of responsible institutions. I concede at once that it may be necessary for the board to make rules and regulations, but such rules and regulations have to do only with administrative matters. Bylaws, on the other hand, deal with matters that are essentially matters of law, that go to the very root of the problems we have to consider. I am

satisfied that the minister on reconsideration—and I am sure that if the Minister of Justice were here he would at once agree—will see that this section should be recast, placing the matter under the control of the government in the manner I have indicated. As the section stands, it is doing what has been done in no other bill.

Mr. HOWE: I think my right hon. friend is perhaps going a little far when he says that this has been done in no other bill because this section was taken from the Canada Grain Act, which has been in force for several years.

Mr. BENNETT: A different thing altogether.

Mr. HOWE: But in order to save time, if the committee will pass subsections 1 and 2 we will allow subsections 3 to 7 inclusive to stand for recasting.

Mr. CAHAN: I think the minister will also find it necessary to recast subsection 1. The provision should be that "the governor in council may make bylaws, not inconsistent with the provisions of this act, on the application of the board"; I would prefer it to be on the application of the minister. Similar provision should be made for amending, repealing and extending such bylaws, and then if by another paragraph you provide, as you have attempted to do here, that "such bylaws shall have the same force and effect as if enacted herein," you will be rid to a certain extent of the difficulties of interpretation. I think the subsection should stand. I think the minister will find that sections 14 and 15, the latter dealing with the levying of tolls, should also stand. So far as I am concerned, if I can be of any assistance I am perfectly willing to place myself at the disposal of the minister or his associates to try to redraft it in a form which I think is proper and effective.

Mr. BENNETT: Without trespassing too much on the time of the committee, let me point out that the Canada Grain Act deals with an entirely different set of things. Here you have to deal with foreign ships, for instance, entering harbours. A catastrophe such as occurred in Halifax harbour would be under the control, so far as the placing of ships is concerned, of a bylaw made by these three men. It is only three years ago, I think, that a problem arose in connection with a ship in Montreal harbour and the right of the harbour board to deal with the movement of that ship in a particular way. The representative of the Marine department will recall the circumstances. The ship came from Buffalo, if my memory serves me aright. Under this section these three men will have power to deal with all these matters. I press this so strongly because it deals with international problems. Our wheat is purely a matter of domestic concern, and even there the section did not go as far as this. I suggest that the section should stand for reconsideration. My colleague, the former Secretary of State, has suggested that he is ready and willing to give of the vast experience he has had in questions of this sort to assist in any way. We have no interest in the matter except that we foresee the difficulties which must arise in dealing with foreign interests. I have given the instance of a seaplane that came up from Seattle, the ship from Buffalo, the explosion in Halifax harbour. Now all these matters are to be under the control of these three men, and what is more they have the power to fix penalties, to provide the punishment, to enact the sanctions that are consequent upon breaches of the bylaws. One of the two succeeding sections deals with tolls, and I believe the minister would say that certainly the governor in council must have something to say when it comes to a question of tolls. Recently in the harbour of New York the question came up of the tolls charged on their piers, the charges being so heavy that six of their piers were idle, and they reduced the tolls. That was done not by one man, but by the body created for that purpose under the control of the governor of the state of New York, the state being represented in the manner that is usual.

I am not going to press my objections any further, but I feel quite satisfied that this section is so much at variance with the whole principle enunciated by the present government from time to time, and so much at variance with the general principle that should govern, in providing that three unprofessional men, unprofessional so far as the drafting of statutes is concerned, should have this power to make bylaws dealing with all these matters without reference to the minister, giving the minister no power of disallowance—

Mr. HOWE: The bill gives the minister and council the power of disallowance.

Mr. BENNETT: That is the general power of disallowance after the bylaws have been transmitted to him, but all these three men have to do is to meet together and pass the bylaws without first submitting them to the minister for his approval. Once the board has passed its bylaws they become

effective against offenders, who are liable to punishment without knowing what the by-laws are, without having seen them, and without their having been published, and penalties are imposed at the discretion of three men without any opportunity of the governor in council, who must ultimately accept the responsibility, being consulted.

Mr. HOWE: I can see that my friends are quite correct when they say that operation will be handicapped by red tape, but that is exactly what they are proposing to do here, to operate the business of our harbours by order in council. I do not think this will work, but I am willing to let clauses 13, 14 and 15 stand, if hon. gentlemen so desire.

Mr. BENNETT: Lest it should be thought that I acquiesce in the view that it is red tape to try to provide for reasonable governmental responsibility, I must protest against the use of the words.

Section stands.

Sections 14 and 15 stand.

On section 16, subsection 1—When vessels may be seized.

Mr. CAHAN: I assume the provision with regard to the territorial waters of Canada is inserted here because of a bill which, I understand, is to be introduced at a later stage of the session and which will define territorial waters. "Territorial waters" must be defined by some other legislation as we have struck out all the provisions of the Customs Act which heretofore defined territorial waters. I assume that before this bill comes into force the bill defining territorial waters will be considered by parliament.

Mr. MARTIN: I understood from the Minister of National Revenue (Mr. Ilsley) that for some reason or another the phrase "territorial waters" was not regarded as being adequate. If another phrase is to be substituted, I think we should know what the contemplated phrase is to be.

Mr. CAHAN: If it is understood that before this bill passes we shall have the other bill before us, there can be no objection to passing this section.

Mr. BENNETT: The hon. member for Cape Breton North (Mr. Cameron) could possibly give expert testimony on this point as he took to the privy council the case which is now considered as the authority for the provision with respect to seizures under our Customs Act extending twelve miles out. When making a treaty with the United States, Great Britain was extremely careful to retain the old three mile clause in its efficiency and force for certain purposes although, in view of world conditions and the increased rate of speed at which vessels travel, the right was extended to twelve miles. The three mile limit was based upon the distance an old cannon shot could be thrown, but the increased rate of speed at which vessels travel has resulted in the change being made in the treaty between Great Britain and the United States in connection with seizures of vessels for violation of the Customs Act in connection with liquors. They were very careful not to concede the point that territorial waters in the narrow international sense extended beyond three miles and we must be extremely careful in dealing with this matter. I take it that that is why the Minister of National Revenue stated the other day that in consequence of representations made by Great Britain they had concluded to withdraw the provisions of the Customs Act.

Mr. CAHAN: More than that, we have repealed every section of the Customs Act which dealt with territorial waters.

Mr. BENNETT: Yes. It is being left to a new statute which will embody the terms of the decision of the privy council in the case to which I have referred, Dunphy versus Croft. That statute will embody the provisions of that decision and at the same time meet the general views of nations with respect to the question of the three mile limit. It is a complex and difficult problem; it is not as simple as it looks. For instance, we have had it up many times with respect to the Northumberland strait. Hon. members will probably remember that we have had it up in connection with the narrow waters that lie between the United States and Vancouver. Of course, in that case the distance is more than twenty-four miles, but there may be instances where the distances would not be more than six miles and when that is the case, there is another set of considerations altogether. We must be certain to place upon the statute books such a bill dealing with territorial waters or we shall find ourselves in great difficulty.

Mr. RYAN: Does not the statute of Westminster settle that question?

Mr. BENNETT: No.

Mr. CAHAN: By the bill which passed this house a few days ago amending the Customs Act, each and every definition of territorial waters was struck out in order that the government might have an opportunity to introduce at a later date in this session a new bill defining territorial waters.

Mr. CAMERON (Cape Breton): I do not think the decision in the case referred to by the leader of the opposition would help in this particular case because the privy council only went so far as to say that the parliament of Canada had the right to define territorial waters as applied to Canadian vessels.

Mr. BENNETT: And for customs purposes.

Mr. CAMERON (Cape Breton): And, as Lord Macmillan said, for the purpose of ensuring that the customs law be effective According to the wording of this section, territorial waters would apply to the ships of all nations, and I am doubtful whether the parliament of Canada has power to enact legislation to govern, beyond the three mile limit, any vessels but those registered in Canada.

Mr. CAHAN: They went just a little further than that; I think the decision suggested if the vessel were owned by a resident of Canada.

Mr. CAMERON (Cape Breton): So far as the treaty with the United States is concerned there is no twelve mile limit; it is one hour's sailing of the offending vessel. That might be eight miles or it might be fourteen miles or even more.

Mr. DUNNING: That is for customs purposes.

Mr. CAMERON (Cape Breton): Just for the purposes of the treaty. In that treaty the high contracting parties reserve expressly the old three mile limit.

Mr. BENNETT: Which so far as we are concerned is still territorial waters.

Mr. CAMERON (Cape Breton): Absolutely.

Mr. ELLIOTT (Middlesex): I should like to move an amendment to paragraph (b) of section 16:

That paragraph (b) of subsection 1 of section 16 be amended by inserting after the word "violated" in the second line of the said paragraph the words "or has failed to observe."

That will make the paragraph read as it reads in the reprint.

Amendment agreed to.

Mr. ELLIOTT (Middlesex): I should like to move:

That paragraph (c) of subsection 1 of section 16 be amended by striking out the word "damage" in the first line of the said paragraph and substituting in lieu thereof the word "injury," and by striking out the word "default" in the second line of the said paragraph and substituting therefor the words "the fault."

[Mr. Cahan.]

Mr. BENNETT: It will be observed also that we deal with the question of the violation of the bylaws by foreign ships and make the master liable. This adds to the argument I was submitting in connection with section 13. So far as possible the contemplated bylaws should appear in the legislation. When foreign consuls are instructing their captains and masters in connection with questions of liability arising under the statutes of ports at which they call, they are always anxious to know exactly what is the law. When they have to have recourse to bylaws there is always great difficulty, and so far as possible we should endeavour in statutes of this kind to include in the legislation everything which a stranger coming into our ports and using our harbours should have to know in order to avoid the possibility of running counter to the provisions of the law.

Amendment agreed to.

Subsection as amended agreed to.

On section 16, subsection 2—Cases coming under paragraphs (c) and (d).

Mr. ELLIOTT (Middlesex): I move:

That subsection 2 of section 16 be amended by striking out the word "damage" in the third line of the said subsection and substituting therefor the word "injury."

That change appears in the reprint. I also move:

That the subsection be amended by inserting the word "injury" before the word "damages" in the fifth line on page 9 of the said bill; and by inserting the words "the amount of" after the word "for" in the ninth line on page 9 and inserting the word "injury" before the word "damages" in the tenth line, and by inserting the word "injury" before the word "damages" in the twelfth line.

Amendments agreed to.

Mr. CAMERON (Cape Breton): It seems to me that in this section the intent of the draftsman would have been better carried out if the word "damage" had been retained throughout as well as the word "injury." Instead of striking out "damage" and substituting "injury," I think it would be better to retain the word "damage" and add the words "or injury."

Mr. CAHAN: The words are not synonymous; they are alternative.

Mr. BENNETT: The admiralty division of the Exchequer Court Act deals in part with subsections 4 and 5, because the court has power, when judgment has been arrived at, under the Admiralty Act to order appropriate proceedings being taken to enforce the judgment. When I read this over I had some

doubt whether there should be some saving clause or some provision having regard to the fact that the Admiralty Act does deal with these very matters. The Postmaster General will recall that the Admiralty Act has a set of provisions for the purpose of giving effect to any judgment that may be awarded in rem as well as the judgments of the courts of record in personam. The enforcing of judgments in rem, with respect to the ship, is provided for—the methods of enforcement—in the Exchequer Court Act itself.

Amendment agreed to.

Section 16, subsections 3 to 5 inclusive, agreed to.

Section, as amended, agreed to.

On section 17—Seizure and detention of goods.

Mr. ELLIOTT (Middlesex): I move:

That paragraph (c) of section 17 be amended by inserting after the word "violated" in the second line of the said subsection the words "or has not been observed."

Mr. BENNETT: Before the section passes I think it is my duty once more to point out to the minister that we are now dealing with cases in which the right of lien or seizure or detention of goods is concerned. For instance, one of the great cases in the courts was with respect to five barrels of beer, and cases against goods of various kinds are well known in the courts of the country. What I would put to the minister is this—it is a matter for his legal department to advise him—is it desirable in a measure of this kind to endeavour to deal with these specifically, or rather to provide, since we have provided that the board may sue and be sued, that they shall have any powers necessary to enable them to enforce their rights under all these circumstances in the admiralty courts, because that is really what it means. In essence we have created a corporation and clothed it with power to sue and be sued, which involves the right of appearance in the admiralty division of the exchequer court; and if we once get into the realm of details here, without making some saving provision as to the existing provisions under the admiralty acts, we may find ourselves in great difficulty. I have not had occasion in many years to do with that sort of thing, but I do not think legislation of this kind should do more than make it clear that the laws of the country are available to the board, because if we are to take it out of the operation of the general laws of the country it will impose upon us the necessity of specifically mentioning those provisions that do not apply or that do apply as the case may be, and that is a matter of great difficulty.

Mr. HOWE: I am advised by our legal adviser that this clause is in the harbour acts at the moment, and it seems to have worked well in the past. I cannot imagine why it should be changed.

Mr. BENNETT: There is a great difference; this board is the agent of the crown.

Amendment agreed to.

Section as amended agreed to.

On section 18—At the risk, cost and charges of owner.

Mr. CAHAN: The same question comes up in section 18. Dealing with seizure and detention—

Mr. ELLIOTT (Middlesex): Perhaps it will assist my hon. friend in making his remarks if I move now the amendment which I propose to submit. I move:

That subsection 1 of section 18 be amended by inserting after the word "violation" in the second line on page 10 of the bill the words "or non-observance."

Mr. CAHAN: Section 18 as a whole deals with seizures and detentions made under the terms of this bill. Subsection 3 reads:

The seizure and detention may be effected upon the order of,—
(a) any judge;
(b) any magistrate having the power of two justices of the peace;
(c) the chief officer of customs at any port in the Dominion of Canada.

Subsection 4:

Such order may be made on the application of the board or any officer thereof ... and may be executed by any constable or bailiff, or officer of the board.

As that clause stands, I suggest that under this paragraph an officer of the board may apply to the court for an order and that an officer of the board may be the officer to carry out the decision of the court. There seems to be a dual capacity there. I do not see why the ordinary servants of the crown might not be authorized to carry these orders into effect.

Amendment agreed to.

Section as amended agreed to.

On section 19—Service of warrant, etcetera.

Mr. BENNETT: Notwithstanding what the law officers advise as to what is contained in the harbour commission acts, I

would point out that the provisions with respect to service of process are contained in the Admiralty Act, and the questions of how a ship shall be arrested and how detained, and the manner of serving the process, and how it shall be posted up, and where, are matters which are dealt with by the Admiralty Act. To deal with them partly in this statute and leave others untouched is to create a confusion which, in my judgment, should not exist. There is nothing new about that, because it has been held time and time again that it is very unwise to endeavour to make the method effective in a statute that deals with a problem which must be solved by a court. The statute creating the court, conferring its jurisdiction and providing for its procedure, itself deals with all of those. All these matters with respect to the arrest of a ship are contained in the Admiralty Act and the Exchequer Court Act.

Mr. HOWE: Here again, may I advise that this particular paragraph is taken from all the acts. It seems to stand the test of time and work well. I do not see why it should be changed now.

Mr. BENNETT: The minister has misunderstood me. Of course these provisions were there. They were there at a time when legislative power with respect to admiralty matters were uncertain and shadowy. We have since had that matter entirely cleared up. If any of those present here representing the departments have before them the Admiralty Act and the Exchequer Court Act dealing with admiralty matters, they will realize that we have now made effective provision for this, and it is a bad exercise of legislative power to include in a statute that deals with the creation of a body provisions with respect to service and arrest that are dealt with by the procedural rules and substantive provisions of the statute which creates the court, because they govern, and this is surplusage which may create confusion if there is any conflict.

Section agreed to.

On section 20—Sale of goods at public auction.

Mr. BENNETT: This section is still worse, because the Admiralty Act makes specific provision for dealing with all those matters. When a judgment has been obtained, the Admiralty Act and the Exchequer Court Act, the admiralty side of it, make provision as to how you shall proceed to enforce the judgment, and to put such a provision into this statute is not only bad draftsmanship but the exercise of discretion in a bad way, and would not be thought of, I submit with deference, in any other legislative body, because you are at once creating confusion. The fact that it has been there is one more reason why it should disappear.

Mr. HOWE: This is against goods. It has nothing to do with ships, as I understand.

Mr. BENNETT: It has to do with goods on ships that are seized.

Mr. HOWE: No, in grain elevators.

Mr. BENNETT: Well, it is the same thing.

Section agreed to.

On section 21—Penalties to be paid over to board.

Mr. ELLIOTT (Middlesex): I move that the section be amended by inserting after the word "violation" at the end of the first line on page 11 of the bill the words "or non-observance."

Amendment agreed to.

Section as amended agreed to.

On section 22—Recovery of penalties.

Mr. BENNETT: I only point out that you do not recover sums of money under the criminal code by summary conviction. This old section which is taken from the revised statutes deals with an entirely different situation, but inasmuch as scissors and paste seem to be the rule of interpretation rather than the law of the country, I suppose we can only point this out and leave it at that.

Section agreed to.

On section 23—Revenues to be paid into chartered banks.

Mr. CAHAN: This section provides that the revenues of the board shall be paid to the credit of the receiver general—that is all right—and they would be paid through such banks as the Minister of Finance from time to time directs. But should they be credited to a national harbours board trust account? They should be credited, in so far as they are derived from a single harbour, possibly to a special account for that harbour, but they are not held by the receiver general subject to a trust. There can be no objection to having separate accounts with respect to the income and disbursements of those harbours, but why designate them as trust accounts when they are not in the nature of trust accounts in any respect?

Mr. HOWE: There is no significance to the word "trusts." I would be quite willing for them to be called "special" accounts.

Mr. BENNETT: I think that is a good deal better.

Mr. CAHAN: And would not the minister also provide that there should be a special account in respect of each of the seven harbours?

Mr. HOWE: Well, I think that only complicates matters. A paragraph will be found later on which states that the funds of one harbour cannot be used for another harbour.

Mr. CAHAN: Yes. That, I think, covers the matter.

Section, as amended, agreed to.

On section 24—Expenditure of moneys.

Mr. CAHAN: This expenditure of money by this board should be made subject to the provisions of the Consolidated Revenue and Audit Act, 1931. I can see no reason why you should except from the provisions of the audit act the payments which are set forth in paragraphs (a), (b), (c) and (d) of this section. That act provides very carefully for the audit of all payments of government funds by the comptroller of the treasury, and these exceptions should not be made. I can conceive of no reason why under paragraph (a) the payment of expenses incurred in the administration and management of the harbour works and properties should not be vouched and verified in the same way as any other public expenditures. Then, if there is a purchase of investments for reserve fund there is no reason why those expenditures should not be audited and verified and vouched the same as any other expenditure. And the same is especially true with regard to capital expenditures. Those, as far as past experience shows, are payments made out of appropriations of public funds by the parliament of Canada or borrowed funds which have to be repaid subsequently from appropriations by the parliament of Canada. These exceptions in section 24 should not be made, but section 33 should apply in respect to all payments.

Mr. HOWE: The difficulty there is an obvious one. If the Consolidated Revenue and Audit Act, 1931, is to apply, appropriations will have to be made by parliament for all the expenditures of the business, independent of the revenue. It is very difficult in the administration of these vast businesses to tell what the expenditures will be; it is much easier to tell what the difference between revenue and expenditure will be, because after all the expenditures are more or less in proportion to the revenues. This provision means that parliament will be called upon to appropriate only the difference between revenue and expenditure, if the difference is on the wrong side. If there is a credit balance no appropriation will be necessary. As a matter of business operation it will be much simpler to follow the plan we have, which is the method followed in ordinary business, except that the money while it is in the hands of the government is in the hands of—

Mr. BENNETT: The receiver general.

Mr. HOWE: Yes.

Mr. CAHAN: Well, there is no reason why the expenditures of these harbour boards, which for ordinary administrative expenses might amount to seven or eight million dollars a year—

Mr. HOWE: The income is about seven or eight million dollars; the expenses last year were about ten million.

Mr. CAHAN: Why should these expenditures not be subject to the 1931 act, the same as these expenditures of some forty or fifty or sixty million dollars which are to be made during the next year by the Department of Public Works? Why should the minister be authorized to expend moneys which are public moneys, received as public moneys, without their expenditure being subject to the same restrictions as every other expenditure of the several hundred million dollars a year made by the Department of Finance under the Minister of Finance?

Mr. HOWE: All these expenditures are subject to the same restrictions as regards audit and handling. The only difference is that these are trading accounts. There is no exception as far as the handling of the money goes; every dollar is handled under the supervision of the treasury and handled by the auditor general. My hon. friend knows that under the provisions he would make it would be necessary, for instance, to appropriate $2,000,000, or possibly more, for the harbour of Vancouver, when as a matter of fact the income from that harbour will be ample to take care of all expenditures. If we can operate it as a trading account no appropriation is necessary. You put a severe task upon the responsible minister if you require him to guess what the expenditure of a port will be. If the business is small the expenditures will be relatively small; if the business is

large the expenditure will be large. I think the hon. member would be making a great complication there, without any extra safeguard for the treasury, by the change he wishes to make.

Mr. CAHAN: I suggest it is not difficult. Take, for instance, the department of public printing which expends several millions of dollars every year. All those accounts pass the comptroller of the treasury; he has his officers in the bureau of public printing in order to pass them; they are all subject to the provisions of the statute of 1931, and no difficulty arises at all. And no special appropriation has to be made for the disbursements of that department, except for the deficiency.

The hon. gentleman is not correct in saying that paragraphs (a), (b), (c) and (d) refer to trading accounts. There may be certain trading accounts of a petty nature, but paragraph (a) is the entire expense of administration, management and control of the harbours, works and properties under the jurisdiction of the board. That is not a trading account in any proper sense of the term—

(b) the purchase of investments for a reserve fund hereinafter referred to.

—that is not a trading account if the term has the ordinary significance that it has in the operation of a mercantile or industrial corporation—

(c) the payment of capital expenditures.

—that is not a trading account in any usual significance of the term. Then there is the payment of interest on bonds, bonds which are really a liability of the government of Canada; that is not a trading account. There is no reason in the world why the payment of that interest and of the principal when it comes due should not be made by the finance minister of Canada in the ordinary administration of the Finance Act and of the Consolidated Revenue and Audit Act, 1931. I cannot see the reason for these special exceptions.

Mr. HOWE: I think I can explain that. These harbours are trading as corporations; they earn the money and take it in and they spend it, and if there is any deficit they borrow it from the dominion government and spend that. They are corporations just the same as any private corporation, with all the flexibility of any private corporation. If my hon. friend or the house insists on wrapping this up in red tape I will not administer it; I would prefer to take the thirty-five acts we have now and continue as we are, because this would make the bill absolutely unworkable, without one additional safeguard to the dominion government. The comptroller of the treasury controls every dollar of the money that is taken in and spent; the auditor general audits every account and transaction involved in the harbour work in any way, shape or manner. But my hon. friend is saying that every dollar that these boards earn must go into the treasury of the country and quite independently of that parliament must vote every dollar—

Mr. CAHAN: No.

Mr. HOWE: Well, that is what he says.

Mr. CAHAN: No, I did not say that; the hon. gentleman does not understand the usual administration of a department of the government if he insists on that.

Some hon. MEMBERS: Order.

Mr. CAHAN: Well, I insist that is so. There is no reflection upon the honour of the hon. gentleman when I make that statement; I simply deal with his inexperience. The hon. gentleman says that if we insist upon proper safeguards with regard to these expenditures he will resign from the government.

Some hon. MEMBERS: No, no.

Mr. CAHAN: He states that he will not administer the act if it is placed under his direction.

Mr. DUNNING: He said that he would rather go back to the thirty-five acts he now has.

Mr. CAHAN: This is a government bill. I do not think we can be intimidated by the suggestion made by the hon. gentleman.

Mr. BENNETT: The loss might be overcome.

Mr. CAHAN: Quite so, even from among his colleagues. I have no doubt they are qualified in personnel to supply any disadvantage which would be caused in those circumstances. But I do insist that where he is purchasing for investment, where he is paying out for capital expenditures and where he is paying out for the interest on the principal of debentures which have been issued by the previous corporation, and assumed, as they must be, by the new board, there is no reason in the world why such appropriations and expenditures thereunder should not be made under the terms of the 1931 act.

Mr. DUNNING: The matter is not quite as serious as my hon. friend would represent it. After all, the intention is to follow, in

general principle, the manner in which parliament now deals with the Canadian National Railways and the Canadian National Steamships, rather than having them operate directly as a government department with all the restrictions upon income and outgo which would be necessary if that were the case. As my hon. friend knows, in connection with the Canadian National Railways a budget of expenses and income is submitted to the house, and the estimates voted by parliament are really the amounts of differences between the income and the outgo of the company.

Mr. BENNETT: Plus capital expenditure.

Mr. DUNNING: Yes; as my right hon. friend points out, plus capital expenditure. The same principle is applied in connection with the Canadian National Steamships. I have not any other instances in mind at present, but it is thought that inasmuch as the major part of the expenditures of this new body, as in the case of the railways and steamships, will come from the revenues of that body, amounts paid in for services performed, it will be much easier to operate if it is organized on substantially the same basis as the Canadian National Railways.

I think every hon. member could see the almost impossible complication which would ensue if every item of expenditure of the Canadian National Railways had to be voted as an appropriation of parliament. Instead of that, for years we have proceeded by the more practicable method of having a budget submitted which contains the differences between income and outgo plus, as my right hon. friend suggests, the necessary capital expenditures. After having made a thorough examination of the budget and the proposals of the institution, parliament votes those differences. In subsequent sections of the bill there is provision for submission of a budget, and for dealing with the matter substantially in the manner in which we now deal with the Canadian National Railways.

Upon reflection I feel sure my hon. friend would not desire to have detailed accounts such as would be involved in connection with revenues from charges of all kinds, if the matter were treated as a government department. I believe that would involve an unnecessary amount of what the minister correctly described as red tape, in connection with the operation of an ordinary business.

Mr. CAHAN: All I can say as to that—

Some hon. MEMBERS: Carried.

Mr. CAHAN: It is not carried, and it will not be carried by making interjections of that kind. Other departments proceed under the audit act of 1931, and pay out large sums of money. I think in some years there were paid out several millions in connection with one department. It was paid out of the receipts and parliament voted simply the surplus. But every one of those expenditures came under the audit act and was audited by officers under the comptroller of the treasury.

Mr. BENNETT: No vote was required for details.

Mr. CAHAN: No, no vote was required for details.

Mr. DUNNING: So does this provide, in just the same manner.

Mr. BENNETT: I do not think so.

Mr. CAHAN: I have taken a cursory view of the audit act of 1931, and I wish to say that the capital expenditures of the Canadian National Railways used to be voted here, first being authorized by the governor in council, then submitted with the authority of his excellency to this house and voted upon. But this bill enables large capital expenditures, in fact all capital expenditures by this board which may amount to millions of dollars—and appropriations of many millions of dollars as time goes on—to be expended without being subject to the audit act of 1931. I have said all I wish to say, but I do not think section 24 should pass.

Mr. BENNETT: I think the Minister of Finance misunderstood the observations of the hon. member for St. Lawrence-St. George. All he said was that the administration should be under that act. He does not for a moment suggest that there should be details of all these expenditures, but merely suggests that that, shall I say, safeguard provided by the act should continue with respect to the withdrawal of money. That is all he has suggested. Nobody has suggested for one moment, least of all the hon. member for St. Lawrence-St. George, that we should deal with all these items any more than we should deal with the items for the Canadian National Railways.

My difficulty is with the last two paragraphs, one of which deals with capital account. Obviously that capital account will come out of appropriations made by parliament and subsequently provided for in this bill. Surely capital expenditures would be subject to the same safeguards as surround any other appropriations made for capital expenditure in the same way. And that enables me to ask this question: Is it intended that the Jacques Cartier bridge shall become part of the Mont-

real harbour, and that, therefore, the harbour revenues shall continue to be liable for five per cent of $19,000,000, less such sum as may be contributed by the province of Quebec and the city of Montreal, or is it proposed to segregate the bridge from the harbour, and not impose that very unfair burden upon the harbour itself?

Mr. HOWE: It is proposed to operate it as it is now—

Mr. BENNETT: As part of the harbour?

Mr. HOWE: No; the accounts are kept separately.

Mr. BENNETT: Yes, but it is the cause of creating a deficit in that harbour.

Mr. HOWE: The harbour runs on a deficit, independently of that.

Mr. BENNETT: It did for some years.

Mr. HOWE: But it is the intention to operate the bridge as a separate work or separate utility.

Mr. CAHAN: But it will be operated by the national harbours board?

Mr. HOWE: Yes.

Mr. CAHAN: And it will continue to be?

Mr. HOWE: Yes.

Mr. BENNETT: Because that last paragraph becomes important. There is an item of five per cent of $19,000,000, less the sums paid by the city of Montreal and the province of Quebec. Every year we have had to place in our estimates in the House of Commons a sum to meet the deficit. I do not know what the accumulated deficit is at this time, but it will be recalled that the supplementary estimates for the fiscal year ending March 31 usually carry an item to deal with that particular deficit. Since I first became familiar with the account I have always felt that it is a bit unfair to the harbour of Montreal to charge the deficit on that bridge against the revenues of the harbour. The minister is perhaps familiar with the situation. The parliament of Canada gave a guarantee without any limitation as to cost, the cost being ultimately about $19,000,000. Bonds were sold in two lots, the last sale being made in 1930. As a matter of fact it was between the date of dissolution and the election. Interest has never been earned, and as a consequence of the erection of the Caughnawaga bridge tolls were reduced. Tolls thus being reduced the real effect is that the deficit is very very heavy, nearly the whole amount. It is a mistake to make that charge against the Montreal harbour. Does not the minister think this might be the appropriate moment to segregate the bridge entirely from the operation of the harbour? Otherwise it is a little unfair to the harbour.



Mr. HOWE: I quite agree that the bridge should not be a toll on shipping in Montreal harbour. We intend to make it stand on its own feet, and I think that is how it has been treated for two or three years past. I think the appropriation for the bridge has been separate. In any event it will be.

Mr. BENNETT: All the fees taken in by the harbour board are available to pay interest on the bridge. If no funds are available, the house has to find the whole of the interest because of the guarantee that has been given. In view of the importance of Montreal harbour to the whole of Canada, especially western Canada, it is unfair that shipping in the harbour should have to bear any part of that burden of the bridge because obviously it is reflected in tolls.

Mr. DUNNING: My hon. friend will agree that it has never been made a burden on shipping. The accounts have always been kept completely separate and provision for the deficit on the bridge, after taking into account the contribution of the province of Quebec, has been made in succeeding years by appropriations of this house, as my right hon. friend knows. So there is no change in that regard. In the setting of the tolls it would be unfair to depart from what has been the recognized practice of treating that deficit as something entirely separate from the ordinary operating charges which an effort should be made to meet by tolls levied for the purpose.

With respect to the other point, about which the leader of the opposition will understand I have some concern, I have examined the proposal made in section 24, and it must be considered, of course, in its relationship to succeeding sections. Section 26 provides for an annual budget, which, I take it, will be similar in its general character to the annual budget submitted on behalf of the Canadian National Railways inasmuch as it must contain provision for interest on outstanding debentures and other indebtedness, capital expenditure, and retirements. That is with respect to the board's whole operations. But provision is later made for the budget to contain a separation as between port and port. It is not intended to lump the whole or anything of that sort. It seems to me perfectly clear that such a budget would bring before parliament full information with respect to the whole matter and would, therefore, render easy the treating of it as a

matter of trade. Then, turning to section 34, I find that all revenues of and all expenditures by the board shall be subject to the audit of the auditor general in the same manner as public revenues and expenditures. The only exception, of course, to section 33 is the provision for the use of revenues by the board to meet expenditures. The provisions of the Consolidated Revenue and Audit Act call for all revenues to be deposited in the consolidated fund, in which event they can be got out only by appropriation of parliament. That, I take it, is the only exception provided for in section 34, and it is a necessary exception in connection with an organization of this kind, most of the expenditures of which will be met naturally out of its own revenues.

Mr. BENNETT: Before the section carries the word "trust" in line 20 should be changed to "special."

Mr. DUNNING: I move, Mr. Chairman, that the word "special" be substituted for the word "trust" in line 20.

Amendment agreed to.

Section as amended agreed to.

On section 25—Allocation of portion of revenues to reserve fund for replacement of fixed assets, etcetera.

Mr. BENNETT: The same change should be made in this section in line 37.

Mr. DUNNING: I move, Mr. Chairman, that the word "special" be substituted for the word "trust" in line 37.

Amendment agreed to.

Mr. ISNOR: I would ask the minister to enlarge upon the principle of this section. I do not wish him to detail just how he is going to charge up the various amounts spent by different harbours, but is it his purpose to set up a separate account for each one of these seven harbours and debit the expenditure in connection with each port? How is he going to arrive at the amount to be debited or credited? There has been a large amount of spending from time to time in connection with these seven ports. Is it the intention to charge up to each port the amount expended and credit each port with its earnings?

Mr. HOWE: The intention of this section is that the earnings shall be allocated as shown; that operating expenses shall be the first charge on revenues, and then it is felt that the next charge should be for a reserve fund to replace assets. For example, if the bonds of a port are carried as a live asset by the dominion government, they should be protected by a fund that might be called a depreciation fund, although here it is called a fund for the replacement of fixed assets. It is the opinion that in a port such as Montreal or Halifax with proper operation such a reserve fund might accumulate as would take care of any replacements required. We hope so, for replacements are quite an item. After operating expenses we believe that interest should be the next charge on the revenues, and we hope that a fund will accumulate fast enough so that appropriations by parliament for capital expenditures will be limited to very special occasions. So far as Halifax is concerned, I believe that the interest charges are carried only in part. I cannot say definitely what will be done as to interest charges there until the board has examined the situation and determined what would be a fair interest burden for that port.

Mr. ISNOR: May I carry that just a little further? I think the basis of the whole thing should be, not so much the expenditures made, but a revaluation of the properties as they exist to-day. I would ask if a revaluation is going to be made of the various developments that have been made, or is it simply intended to charge against the ports the total amount expended?

Mr. HOWE: I do not think the port of Halifax will be unfairly treated. I believe that the amount of thirteen or fourteen million dollars expended directly by the government through the Canadian National Railways was never set up as an expense. As a matter of fact I think considerable of the other work has not been set up as an interest bearing charge, but I doubt whether it would be possible to say offhand just what will be done in any of these harbours until a thorough examination can be made by the board.

Mr. ISNOR: I do not know whether there are other ports conducted in the same way, but there is a question in my mind as to whether there is power to charge up certain developments or expenditures which have been made more or less in a private way and which have since been taken over by the harbour commission. I have in mind the cold storage plant at Halifax. The question in my mind is whether that, when taken over at a later date by the former administration of the harbour, should be chargeable at the original amount expended in connection with it by the private concern.

Mr. DUNNING: Section 31 will probably clarify the consideration of such a matter in future years. In that section provision is made for keeping separate accounts for each harbour and for each work or property trans-

ferred to it for administration, management and control, and the revenues derived therefrom shall be assigned exclusively for the purpose of such harbour work or property. I assume that that does not enable us at the present time to deal effectively with the questions raised by the hon. member for Halifax (Mr. Isnor), but it provides the machinery whereby in future years this house may be able to determine matters of policy much more intelligently. Of course they must relate themselves to the progress of the port as well as to the relative responsibility of the former harbour commissions in connection with past acquisitions of property. I admit at once that there is much in the contention of my hon. friend, but I also submit that we have not sufficient material before us nor have we gained the experience in operating these organizations to permit us at this time to make any separation or adjustment. But the set-up which is now being created will at least provide the groundwork upon which the question can be examined with more chance of solution in the future than would be possible at the present time.

Mr. ISNOR: I think the Minister of Finance will appreciate the fact that this is dealing with something entirely different.

Mr. DUNNING: Quite.

Mr. ISNOR: It is dealing with separate accounts to be operated by each port, as recommended in the Gibb report. Justly and rightly we should have such accounts, but this deals only with the administration, management and control of the revenues derived from each port and states that they shall be assigned exclusively for the purposes of such port. The basic factor entering into section 25 is in connection with the valuation to be set up in the first place and to be chargeable to each port. What I wanted to know was whether the properties and developments of the various ports are going to be revalued or to be taken in at the figure used in the past in connection with the particular development.

Mr. BENNETT: I think the hon. gentleman is probably not wholly familiar with the circumstances to which he refers. Under the bill as it now stands, Halifax harbour would be chargeable with just such sums for interest as it is now chargeable with, no more, no less, although it might become less in the course of time. Under this bill it will be charged with that. The cold storage plant was built under a former Liberal administration. It was subsidized and bonds were issued against it bearing a rather high interest rate. The plant was located in practically the middle of the harbour improvements, and successive boards requested that it be placed under their control as it interfered with their business. The late government took the view that it could not afford to pay the price suggested or the rate of interest. The rate of interest was finally fixed at three per cent, and that is the sum chargeable under this provision against the revenues of the port under the arrangements by which the harbour commissioners acquired these cold storage facilities. I confess that I never was able to understand why the then government gave the piece of land in question for the construction of this cold storage plant by a private enterprise in practically the middle of the facilities of the port, but I explained it to my own satisfaction by assuming that they had not contemplated the developments that were subsequently made in that harbour. As the matter stands now, the rate of interest is reduced to three per cent, and the price is much less than that which the government of that day accepted as the cost of the plant.

Mr. ISNOR: I brought that up just as an example. I do not know as much of the financial details of the operations of the cold storage plant as does the leader of the opposition. No doubt he is familiar with the details of the reorganization and the taking over. I do not think the giving of the piece of land was half as important as was the action of the government in taking over the whole scheme after it had been developed and brought into being by a private company.

Mr. KINLEY: After it became a white elephant.

Mr. BENNETT: It did not; it paid its interest. This section provides that the budget shall be submitted by the minister to the governor in council for approval. I think one hon. gentleman will agree that this should be "for consideration and approval." It was contended by one eminent counsel that the wording as it appears in the section would leave the governor in council no option but to approve the budget. I think that is within the memory of some hon. members of the committee.

Mr. POWER: It seems to me that this is the very term used in the Canadian National-Canadian Pacific Act.

Mr. BENNETT: Some question was raised as to the sufficiency of the words and I believe some were added. That was done in the case of one bill, but I do not recall exactly what one it was. I do not know whether it would be necessary to make an amendment.

Mr. HOWE: We have no objection.

Mr. BENNETT: I do not know; I am just asking if it is necessary.

Mr. CAHAN: Is the amendment to be made?

Mr. DUNNING: I do not see how that would improve it.

Mr. BENNETT: That was the argument that took place in the house.

Mr. DUNNING: Would it help to say "approval in whole or in part"?

Mr. BENNETT: "Approval or disapproval in whole or in part" would make it really complete.

Mr. POWER: Perhaps we could leave out the words "for approval," and simply say that such a budget shall be submitted by the minister to the governor in council.

Mr. BENNETT: That will probably cover it, because any appropriation that is to be made must be included in the estimates.

Mr. HOWE: Strike out the words "for approval."

Mr. CAHAN: Should not the budget be laid upon the table of the house? Why not provide that "Such budget shall be submitted by the minister to the governor in council for approval and when approved shall be laid upon the table of the house when parliament is in session." Parliament should be informed of that budget.

Mr. DUNNING: As in the case of the Canadian National Railways, I am quite sure that the house would not be content to vote any moneys without having the budget before it. I was looking to see whether section 32 had any bearing upon the matter, but it would have only by way of the annual report.

Mr. CAHAN: Which does not necessarily include a financial report.

Mr. DUNNING: Would the auditor general's report contain it?

Mr. BENNETT: No, his report does not contain it.

Mr. DUNNING: I think we may take it that parliament would demand production of the budget.

Section as amended agreed to.

On section 27—Deficiency in revenues from each harbour, work or property to be included in separate items in estimates.

Mr. ELLIOTT (Middlesex): I move that the word "special" be substituted for the word "trust" in lines 9 and 15.

Amendment agreed to.

Section as amended agreed to.

On section 28—Advances for working capital.

Mr. ISNOR: Does this mean the expenditure in connection with a particular port or is it intended to transfer the amount to other ports?

Mr. DUNNING: It is for the board as a whole.

Mr. HOWE: It is a floating amount. The difficulty is that certain harbours have expenses before they have income and we simply have a leeway of $1,000,000 in the estimates at all times for a revolving fund for working capital. We cannot expend in the year more than $1,000,000 for all seven ports.

Mr. BENNETT: It is the same as the printing bureau's advances. I think the word "bonds" had better be placed before the word "debentures" at the top of the page, "for interest on outstanding bonds, debentures and other indebtedness." The words are not synonymous and it might be well to insert the word "bonds."

Mr. DUNNING: I think that would be an improvement.

Mr. ELLIOTT (Middlesex): I move that the word "bonds" be inserted before the word "debentures" in the second line on page 12.

Amendment agreed to.

Section as amended agreed to.

Section 29 agreed to.

On section 30—Governor in council may authorize cancellation of certain debentures and interest.

Mr. BENNETT: I think the word "bonds" ought to be added here also.

Mr. DUNNING: The word is unnecessary in this section. It is indebtedness to the government of Canada.

Mr. BENNETT: Assumed at the date—

Mr. DUNNING: Assumed by the board.

Mr. BENNETT: Assumed by the board at the date this measure comes into force. This new board will assume certain obligations on the day it comes into existence. Some of these obligations arose out of bonds for which the government was guarantor. Every harbour board issued bonds, but they carried with them, under the harbour commission act, the guarantee of the dominion. Some were sold to the public, at Three Rivers for instance, and interest is paid. The reason why the word "bonds" should be put in there is to cover

that very situation. If it were limited to debentures the minister would be right in saying that it represents indebtedness due the government.

Mr. HOWE: This refers only to reduction of indebtedness to the government. There are no bonds involved.

Section agreed to.

On section 31—Separate accounts for each harbour, work or property.

Mr. BENNETT: I do not wish to quarrel about so small a matter, but the bonds of the harbour of Montreal are bonds sold to the public and not debentures, and the guarantee is on bonds and not on debentures. The governor in council here authorizes the cancellation of debentures assumed by the board. However, it seems to be a small matter to waste time about.

Section agreed to.

Sections 31 to 34 inclusive agreed to.

On section 35—Accounting officers, etcetera.

Mr. BENNETT: What does this really mean?

Mr. HOWE: It is the ordinary provision that the comptroller of the treasury shall assume charge of the accounting of each of the harbours and that the accounting staff at each harbour shall be attached to the office of the comptroller.

Section agreed to.

On section 36—Expenses of the board.

Mr. CAHAN: "Trust" should be changed to "special."

Mr. ELLIOTT: I move that the word "trust" in line 27 be struck out and the word "special" be substituted therefor.

Amendment agreed to.

Section as amended agreed to.

On section 37—Amalgamation.

Mr. HOWE: I move that the section stand.

Section stands.

On section 38—Proceedings relative to construction of works in navigable waters under jurisdiction of board.

Mr. BENNETT: Is it desirable that all applications regardless of whether they affect harbours or not should be thus transferred, or should this be limited entirely to those that affect the harbour? I have in mind two such applications, one for a telephone line and the other for a cable passing under navigable waters, but having nothing to do with harbours. Why we should place in the hands of this board jurisdiction with respect to such matters outside the harbours, I know not, because the public works department has all the records and has administered that branch of the service since it came into being and very frequently deals with matters of routine. The minister reports to the governor in council and, under the Navigable Waters Protection Act, approves a cable for a telephone or telegraph wire, and matters of that kind. This board has not the machinery to deal with this in the same sense as the public works department has.

Mr. HOWE: This is the joint report of the public works department and the harbour board. The only purpose of the section is to give the harbour board some knowledge of applications within its own harbour. The point came up in connection with the bridge over the First Narrows in Vancouver. A bridge was built over the entrance to the harbour, and that was a case where the harbour board should have been consulted and as a matter of fact was properly consulted with respect to the dimensions of the bridge. It is an additional safeguard, though I do not know that it has any great significance. It is no great hardship as far as I know.

Mr. BENNETT: The hon. gentleman has not quite caught my point. These words "in any navigable water under the jurisdiction of the board" should be limited, I suggest, not "in respect to any work as defined in the said act in any navigable water under the jurisdiction of the board," but, "in respect to any work in any harbour under the jurisdiction of the board, the application shall be made." Leave it just as it is with respect to anything other than the harbour. I quite agree with the minister that the harbour board should be consulted and should be the proper authority to give the necessary information, but with respect to other simple matters like a telephone line or a telegraph cable the matter should be left as it now is, in the public works department.

Mr. HOWE: I may be a little dense here, but I cannot think of any water under the jurisdiction of the board that is not part of the harbour.

Mr. BENNETT: There are waters that have to be crossed by telephone wires and various kinds of cables that are not under the jurisdiction of any harbour.

Mr. HOWE: In that case they would not be affected.

Mr. BENNETT: I am afraid that, as the section reads, they might be. That is my whole point. If the hon. minister will look at the section, it states:

> Notwithstanding anything to the contrary in the Navigable Waters Protection Act, chapter 140 of the Revised Statutes of Canada, 1927, in respect to any work as defined in the said act in any navigable water under the jurisdiction of the board, the application shall be made to and the plans and descriptions deposited with the Minister of Transport....

If that is sufficient to make it clear that this does not extend beyond the harbour, I am quite content, but I think it should not go beyond the harbour.

Mr. HOWE: I think that is clear. It refers, of course, to the harbour board, and the extent of the harbours is defined in this particular act.

Section agreed to.

On section 39—Acts repealed.

Mr. ELLIOTT (Middlesex): I move:

> That section 39 be amended by striking out the word "the" following the word "in" in the first line of the said section, by inserting after the word "schedule" in the same line the letter "A" between quotation marks, and by inserting after the word "act" in the same line the words "except sections fifteen, sixteen and seventeen of the Saint John Harbour Commissioners Act, 1927."

Mr. CAHAN: Would the minister explain? I have not had time to look up the act of 1927 with reference to Saint John harbour. What are those sections which are excepted?

Mr. HOWE: Certain rights were reserved when lands formerly owned by the city were required by the harbour commission, the right to fish in certain harbour lots, the right of access to the ferry.

Mr. BENNETT: And paying of obligations that have been incurred prior to a certain date. What is the Quebec act? I have not had time to look that up.

Mr. HOWE: It is an old act. I am told that the act is obsolete and therefore does not need to be repealed.

Amendment agreed to.

Section as amended agreed to.

On section 40—Date of coming into force of act.

Mr. CAHAN: I think the hon. gentleman will find it more convenient to word section 40 in this form:

> This act in whole or in part shall come into force on a date or dates to be fixed by proclamation.

He may find it very important to bring certain sections of the act into force on one day and certain other sections into force a week or ten days later. I can conceive of that.

Mr. BENNETT: We learned that by experience. It enables you to proclaim one section, and organize your port, and then proclaim another section. That can stand, because there are two or three sections standing. We could deal with it when the bill comes up again.

Mr. HOWE: Could section 40 be allowed to stand? We can consider that further.

Section stands.

M. CAHAN: Does the minister intend to report progress on this bill now?

Mr. HOWE: Can we pass the schedules?

Mr. CAHAN: There is no objection to the schedules, I think.

On schedule A—Acts repealed.

Mr. ELLIOTT (Middlesex): I move with regard to schedule A, that on page 15 of the bill the schedule be amended by inserting after the word "schedule" at the top thereof the letter "A" between quotation marks, by striking out the words "to be" in the second line of the schedule, by striking out the words "year and chapter" and "acts of the dominion parliament" and substituting in lieu thereof the words "title of act," and by adding after the words "an act relating to the harbour of Saint John in the province of New Brunswick" the following "except sections 15, 16 and 17 thereof," as in the reprinted bill.

Amendment agreed to.

Mr. BENNETT: I will point out that on page 17 is printed "year and chapter" and "acts of the dominion parliament," which are not similar to the subhead in the main schedule, which is "title of act." They should be made uniform. That is all.

Mr. HOWE: Yes. That is a printer's error at the top. It should be stricken out.

Schedule as amended agreed to.

On schedule B—Boundaries of harbours.

Mr. ELLIOTT (Middlesex): I move that schedule "B" as in the reprinted bill be added after schedule A.

Mr. CAHAN: Whether you pass schedule B to-night is not important, but for the purposes of reference hereafter I suggest that when you are dealing with the harbour of Halifax and re-enact the section of the old act defining the harbour, you should put in this act a reference to that former act so that it

can easily be looked up in years to come. So with the harbour of Saint John, and others. This would help very much in future in case of questions arising as to the source of these various descriptions.

Mr. HOWE: I may be wrong, but if we pass this, is not this the law that governs a harbour boundary?

Mr. CAHAN: Quite so, but all I am suggesting to the minister is this: In the courts of Montreal we have various decisions which refer to the statutory definition of the harbour as contained in an old act prior to confederation which is still in force, never having been repealed, and also as defined in 57-58 Victoria, chapter 48. All I am saying is that if we should ever again have any litigation with regard to the area of the harbour it would be helpful if at the foot of each of these descriptions a reference were made to the anterior statutory declaration, the same as in revising a statute we always add a reference to the original statute from which the section is taken.

Mr. HOWE: If this schedule B can be allowed to stand, I will ask our law officers to look into that matter.

Mr. TAYLOR (Nanaimo): I should like to draw the attention of the minister to the description of Vancouver harbour on the last page of the bill as reprinted. In the second line it says, "with the north arm and Port Moody." The province of British Columbia in purging the nomenclature has called the north arm the Indian arm for many years, and I believe that term appears in the official gazetteer for British Columbia. So it might be well to give it its present name of Indian arm.

Mr. HOWE: We took this wording directly from the present harbour act; I doubt whether it would be safe to change the name.

Mr. BENNETT: "Now known as Indian arm" would be all right.

Mr. TAYLOR (Nanaimo): All I am saying is that they are attempting to fix the new name, and every step in that direction will, of course, help the province.

Mr. HOWE: My right hon. friend opposite has suggested that we could add "now known as Indian arm." I will ask that that be looked into by our officers.

Mr. MACKENZIE (Vancouver): No, I must take exception to that. It is known as the north arm by every one that sails the seas.

[Mr. Cahan.]

Mr. TAYLOR (Nanaimo): That is the unfortunate part, and I very much regret that a minister of the crown should make a statement of that kind.

Mr. GREEN: Speaking of the north arm, might I ask the minister what the intention is with regard to the north arm of the Fraser river? I notice it is not included in the port of Vancouver.

Mr. HOWE: There are certain harbours in Canada which are known as national harbours, in which there is a very large investment by the dominion government, and there are other harbours also partly under the control of the dominion government where the investment is largely municipal, and where the municipality has representation in the control. New Westminster harbour is in the latter class; the municipal authorities have always had one representative on the harbour commission, and there is quite a municipal investment in the port. We have decided for the moment that they will not be included with the national harbours.

Mr. GREEN: I am referring to the North Fraser river, the north arm, not the main river.

Mr. HOWE: That again is administered by a local board; there is no dominion government investment in it whatever, and we decided not to include that for the moment. It may be taken in later perhaps.

Progress reported.

## INDIAN ACT AMENDMENT

The house resumed from Friday, March 20, consideration in committee of Bill No. 4, to amend the Indian Act—Mr. Crerar—Mr. Johnston (Lake Centre) in the chair.

On section 13—Celebrating festivities, dances or ceremonies at which presents are made, or bodies mutilated.

Hon. T. A. CRERAR (Superintendent General of Indian Affairs): When this bill was in committee before, on March 20, the sections were all passed with the exception of section 13. That is a section which imposes some additional penalties to discourage the celebration of the potlatch among the Indians on the Pacific coast. Some exception was taken at that time to the nature of the amendments, to the effect that the act as it stands already provides sufficient safeguards and penalties. Since the matter was before the committee last I have looked further into the

question of the proposed amendments to this section and with the consent of the committee I propose that these amendments be dropped and the section remain as it now stands in the act.

Mr. NEILL: I wish to congratulate the minister on his decision. It is a tribute to the thoroughness with which he looks after his department that he took the trouble to investigate this relatively trivial matter, trivial at least in regard to bigger things, and having made his decision, brings it down in the way he has. I am certain that neither he nor those who seek the best interests of the Indians will regret his decision. As he said, it is not as though there were not very stringent provisions in the act at the present time against potlatching. There are, I think, sixteen penalties provided in the Indian Act. Some of them deal with very serious offences, such as bootlegging or running a disorderly house on an Indian reserve, and in none of these matters is there any penalty which does not have the alternative of a fine in the first instance except this one thing of having a potlatch. In that case there is no alternative of a fine, but two months in gaol is the minimum, with a maximum of six months. To us, perhaps, that does not sound so very much, but to an Indian who lives in the open air two months in gaol is as much as six months would be to us; it is a very severe penalty. And as I say we are not doing away with the existing provisions which will still carry that minimum of two months provided the Indians indulge in the holding of a potlatch. We are only seeking, and the minister has agreed, not to go further and penalize them with this heavy penalty when they are only apparently contemplating such an attitude, which is a thing that is antagonistic to our sense of fair play, and would not be tolerated for a moment if applied to white people.

Since the matter was up before I have been in some communication with the chiefs of the Indians in the district concerned, and they have also sent me a letter signed by an archbishop—an archbishop ranks pretty high out in the west—and he expresses his sympathy with their attitude. He says that he was at one of these meetings, and they began by singing God Save the King. He seemed to have had a pleasant evening and enjoyed his experience. I have also before me a letter from the Indians, and I want to read one sentence from it, which epitomizes the whole sentiment in that regard. The chiefs, seven of them, end their letter thus:

> Please bear in mind that we are Indians and you are white people.

That is the difference between our point of view and theirs. Let us in this matter bear in mind that they are Indians and we are white people, and do not let us try to rush them into our point of view and habits too hurriedly. I have some evidence that the Indians are keenly interested in what is being done. They have asked me to express to the minister their appreciation if he will withdraw this section, and state that they will use their influence to minimize to the fullest extent any of the bad features which may still exist in connection with potlatches. All they wish to do is to maintain the harmless elements of it, in accordance with a custom that originates in antiquity as far back as they can remember. They would be greatly hurt if they had to give it up. I can only add that I am sure the government or those who have charge of Indian affairs will not regret this action.

Mr. DUNNING: I move that in order to give effect to what the minister indicated, section 13 be stricken out.

Motion agreed to and section dropped.

Bill reported, read the third time and passed.

## CITY OF OTTAWA AGREEMENT

Hon. P. J. A. CARDIN (Minister of Public Works) moved that the house go into committee to consider the following proposed resolution:

> That it is expedient to authorize the Minister of Public Works, on behalf of His Majesty, to enter into an agreement with the corporation of the city of Ottawa to extend the period of the existing agreement with the corporation for one year from 1st July, 1935.

Mr. BENNETT: What is it all about?

Mr. CARDIN: In the year 1920 an agreement was made between the then Minister of Public Works and the city of Ottawa by which the dominion government was to pay to the city of Ottawa the sum of $75,000 to compensate for all claims of the city in connection with the sprinkling of certain streets, which was to be undertaken by the federal government, and also for fire protection. After a long discussion between representatives of the city and the Minister of Public Works it was agreed that the federal government should pay the sum of $75,000 in settlement of all claims that the city might have against it. The agreement was renewed each year, and in 1925 the amount of $75,000 was increased to $100,000. Since that time the agreement has been renewed every

year. The object of the bill to be introduced is to authorize the Minister of Public Works to extend the agreement for another year.

Motion agreed to and the house went into committee, Mr. Young in the chair.

Mr. HEAPS: Would the minister inform the committee on what basis the $100,000 was arrived at as a fair and equitable amount?

Mr. CARDIN: I cannot give the hon. member exact details as to the claim put in by the city. If I remember correctly, the amount claimed by the city in respect of various items amounted to about $200,000, and it was as a result of a compromise between the Minister of Public Works and the city that the amount was reduced to the sum of $75,000. As a result of that agreement the city of Ottawa agreed to abandon all claims it had made up to that time.

Mr. HEAPS: I understood the minister to say that the amount of $100,000 was for all claims.

Mr. CARDIN: No; in the first instance it was $75,000.

Mr. HEAPS: The amount of $75,000 for all claims against the government. Now I understand it is an annual claim.

Mr. ELLIOTT (Middlesex): It has always been an annual claim.

Mr. HEAPS: Is this $100,000 for fire protection and other services rendered to the federal buildings in Ottawa?

Mr. CARDIN: Yes

Mr. HEAPS: I should like to have some idea as to how the figure is arrived at. It may be too high or it may be too low. I think there ought to be some explanation as to how the amount is made up. Perhaps the minister would be able to inform the committee as to the value of buildings owned by the government in Ottawa, and with that information we might have some idea as to what the service is worth, on the ordinary assessed value.

Mr. CARDIN: I confess that I cannot give in detail what the hon. member is asking. I am not ready to admit that the claim made by the city of Ottawa at the time of the agreement was entirely justified. Numerous items were mentioned by the city, and the amount was strongly objected to by the then minister. It was as a result of a mutual understanding that the agreement was reached, and there is no real or definite basis upon which the amount of $75,000 has been agreed upon. It was a matter of agreement.

[Mr. Cardin.]

Mr. BENNETT: The hon. member wants to know what we get for our money.

Mr. CARDIN: We get fire protection for all our buildings, and it is compensation, too, for the water used for sprinkling certain streets, for which the federal government is responsible. At the same time there is something to take the place of the taxes the federal government is not paying on properties in Ottawa.

Mr. HEAPS: I believe the federal government gets the same concessions in all municipalities; they do not pay taxes on federal properties. I do not think other municipalities are receiving the same treatment as is the city of Ottawa, and if the government is paying to Ottawa something in lieu of taxes, may I say that other cities in Canada might come to the government expecting the same treatment. It is quite true that in 1920 the government may have made an agreement for $75,000. The minister claims that he does not know whether the sum was equitable or otherwise. At any rate it appears that in 1925 another government of which the minister may have been a member increased the grant to $100,000. If the amount was not equitable in 1920 I cannot understand why it was increased by $25,000 or 33⅓ per cent just a few years later. I am not going to press the point just now, but when the bill is in committee I would ask the minister to give the details which we ought to have on a measure of this kind.

Resolution reported, read the second time and concurred in. Mr. Cardin thereupon moved for leave to introduce Bill No. 54, to authorize an agreement between His Majesty the King and the corporation of the city of Ottawa.

Motion agreed to, bill read the first and second time, and the house went into committee thereon, Mr. Young in the chair.

On section 1—Agreement extended.

Mr. HEAPS: Mr. Chairman, I have requested certain information. I do not know whether the minister is in a position to give it now, but I must insist upon having it before agreeing to any of the clauses of this bill.

Mr. CARDIN: I do not know if what I have presently before me will satisfy my hon. friend, but a few months before the agreement was made, in a statement issued by Mr. Harold Fisher, the then mayor of Ottawa, with a view to revision of the agreement expiring on the last day of June, 1919, Mr. Fisher advanced the principle that the

government should subject itself to the ordinary assessments in the same way as a private individual and he compiled a government tax bill, amounting to $886,453.60 made up of the following items—I will give round figures only:

| | |
|---|---|
| Water rates | $ 77,000 |
| Street sprinkling | 2,000 |
| Taxes payable on the income of civil servants (taxable income $2,500,000 after allowing for exemptions) | 57,000 |
| Property tax | 483,000 |
| Business tax— | |
| Government owned property | 226,000 |
| Property leased by dominion government | 46,000 |
| Local improvements assessed against government property or property of Ottawa Improvement Commission not paid by the dominion government | 3,000 |

Mr. BENNETT: What was the date of the agreement?

Mr. CARDIN: The agreement was dated March 13, 1920, and these were the items which were the basis of the claim of the city of Ottawa against the federal government. Claims have been pressed on many occasions by the city and were resisted by the federal government for a long time, but in the end it was decided that it would be advantageous for both parties if an agreement were reached, and after long discussions it was agreed in 1920 that the sum of $75,000 should be paid every year to the city of Ottawa to compensate it for its fire protection of all the public buildings in Ottawa, for street sprinkling, and in lieu of the taxes that would ordinarily be assessed on private property.

My hon. friend from Winnipeg North (Mr. Heaps) said that if we applied this principle in the city of Ottawa we should apply it elsewhere, but Ottawa is in a different position from any other city where we have only one or two public buildings, and all governments in the past have felt that they should be a little more generous to the capital which we are all interested in developing and beautifying so that it will be an attraction to visitors to our country. I admit that a certain amount of sentiment may have entered into the decision which was reached by the government in 1920, but I believe that the contribution we are making to the city of Ottawa is justified. It has been continued by all governments since 1920, and the bill presently before the committee provides for an extension of the agreement for one year, which otherwise would lapse on the first of July next.

Mr. HEAPS: The principle has been established and has been in effect now for sixteen years, and I do not think it is likely that we will go back on it. I do not think that parliament has dealt ungenerously with the city of Ottawa. I think as a rule it has dealt with it pretty fairly. I myself would not like to deal unfairly with the city of Ottawa, but I remember that only a few years ago when parliament appropriated money for a confederation park, running into many millions of dollars, the people of Ottawa did not seem to appreciate the gift which parliament was making to the city, and after the land had been expropriated and millions of dollars spent a demand was made upon the government that it should compensate the city for the taxes which had been lost through the demolishing of the buildings that had been torn down for the park, and the wiping out of that source of city revenue. I want to point out that the principle is exactly the same in other cities where you have public buildings. The municipalities there have to provide fire equipment, police protection, water service and every other service that a municipality gives to public buildings. While we may have only one federal capital we have nine provincial capitals, and in many of them, if not in all, we find quite a large number of buildings which are not paying taxes to their respective municipalities.

While I want to deal fairly with Ottawa, while I am not opposing this grant of $100,000 proposed by the present bill, I still think the information given by the minister is not adequate. I feel that the particulars he gave of the various items submitted in 1920 verged almost on the grotesque. They asked for $57,000 in lieu of the taxes that were not being paid by the federal government. Evidently they tried to put these as high as possible when they expressed the pious hope that they should receive $870,000, but they were willing to settle for less than ten cents on the dollar. Even at that, they must have felt they got a pretty good bargain. I think we should have some idea as to what we receive in return for the $100,000 granted. All I am able to find out from the minister is that this amount is given to the municipal authorities for fire protection. It cannot be for police protection as the government polices its own buildings. It is in lieu of the general taxation which the private citizen is compelled to pay the municipalities. All I can point out in this regard is that in practically every provincial capital there are either federal or

provincial buildings which are exempt from taxation. Ottawa seems to be in a much more favoured position than the other capital cities throughout the dominion. If the Minister of Public Works is asked to give the same treatment to other municipalities that he has given to Ottawa for a number of years, I hope he will give them the same sympathetic consideration.

Section agreed to.

Bill reported, read the third time and passed.

## COPYRIGHT AMENDMENT ACT

AMENDMENT WITH RESPECT TO FEES, CHARGES AND ROYALTIES AND TO CONSTITUTE A COPYRIGHT APPEAL BOARD

Hon. FERNAND RINFRET (Secretary of State) moved that the house go into committee to consider the following proposed resolution:

That it is expedient to bring in a measure to amend the Copyright Amendment Act, 1931, with respect to fees, charges and royalties which may be collected, and to provide for the constitution of a copyright appeal board and for the travelling and living expenses of the members thereof, and for the remuneration and travelling and living expenses of persons appearing before the board in an advisory capacity.

He said: This resolution precedes a bill to which I referred when we were discussing the bill introduced by the hon. member for Kootenay West (Mr. Esling). The bill to be introduced is based upon a report which was filed with the present government on October 29 by His Honour Judge Parker, a commissioner appointed under the Inquiries Act, to inquire into the copyright situation and especially that created by the exacting of fees by the Canadian Performing Right Society Limited. I may say that the inquiry dealt mostly with section 10 of the Copyright Amendment Act, 1931, which stipulates:

Each association, society or company which carries on in Canada the business of acquiring copyrights of dramatico-musical or musical works or of performing rights therein, and which deals with or in the issue or grant of licences for the performance in Canada of dramatico-musical or musical works in which copyright subsists, shall, from time to time, file with the minister at the copyright office—

Then follow particulars of the lists of works to be filed and the statements of fees, charges and royalties. In 1935 this act was still further amended by the then Secretary of State (Mr. Cahan). This amendment stated that when in the opinion of the minister a society was charging excessive fees with respect to copyright such as I have just mentioned, a commissioner might be appointed



to inquire into and report on such matters. On March 22, 1935, His Honour James Parker was appointed by the former government to inquire into a situation created by the exacting of fees by the Canadian Performing Right Society Limited and any other society which had unduly withheld the issue or granting of licences with respect to the performance of musical works in Canada. This report has been referred to before and I mentioned it when discussing the bill introduced by the hon. member for Kootenay West. In his report Judge Parker passes judgment upon a list of fees filed by the Canadian Performing Right Society and has recommended that other fees would represent more fairly what the performing rights were worth. The commissioner also recommended certain amendments to the Copyright Act. His recommendations are contained in three paragraphs at the end of his report. The first recommendation is:

That there be included in the Canadian Copyright Act a clause similar to section 40 of the Patent Act, to prevent vexatious and unwarranted legal proceedings.

This is section 66 of the Consolidated Patent Act. His next recommendation was that section 17 of the Copyright Act be amended. This section defines the performance of a musical work by a church, college or school or by a religious, charitable or fraternal organization, provided such performance is given without private profit. There was some confusion as to what was meant by private profit and Judge Parker has recommended that the act be amended to more clearly define this term. His third recommendation was:

That the Copyright Act as amended so as to provide for the establishment of an appeal tribunal, to determine disputes arising out of performance in public and to approve of the tariffs of the Canadian Performing Right Society Limited from time to time before they become effective.

I may say that at this late hour I do not think it would be advisable to enter into a detailed discussion of these amendments. My suggestion would be rather that if this resolution were passed I could introduce a bill which would afford every hon. member an opportunity to ascertain exactly what is proposed in the legislation.

It is not the intention to establish a permanent tribunal in the sense that it would sit all the year or that it would constitute some kind of new commission added to the long list of commissions we already have. But basing our bill upon legislation introduced in another country, what we propose to do is this: We want such societies as I have

mentioned to file their fees on the first day of November of each year; then, allowing a certain number of days, not less than twenty-one, it would be open to all interested parties to file protests or representations concerning the fees, and in the course of December; thereafter the tribunal would sit, and in my opinion in two or three weeks at most it would pronounce upon these disputes.

The intention is to have the tribunal appointed during pleasure. It will include a member of the judiciary, preferably a judge of the exchequer court. But in order to obviate the necessity of coming back to parliament from time to time to amend the bill, it is simply intended that the chairman of the commission shall be a member of the high judiciary, the other members of the commission being two officers of the public service. There again no special mention is made, but the intention is that one might be from the copyright office and the other from the Department of Justice.

Mr. NEILL: Would this commission have power to fix fees.

Mr. RINFRET: Yes, this commission will pronounce on fees; that is the recommendation and that is the intention. It is not intended to give any remuneration to any of the three commissioners, one being a judge and the others members of the public service, but they may have to travel and would have to be allowed living and travelling expenses. It might also develop that in certain years the department might feel that legal advice should be submitted to the commission and that is why the bill which I shall introduce is preceded by this resolution.

If the house would accept the agreement that the discussion, even on the principle of the bill, might be reserved until the second reading, and does not object to the resolution in its present form, I would ask that the resolution be passed in committee so as to allow me to introduce the bill and so that everyone would know what is in it. It is not the intention of the government to recommend any extensive amendment to the Copyright Act. As I stated the other day, there will be this fall a meeting in Brussels of the International Union on Copyright and the whole matter of copyright will then be considered; but it is not possible to delay this bill any further, because, in the first place, the dealings of the Canadian Performing Right Society and such associations have not so far been foreseen by any preceding international convention on copyright, and because, in the second place, in the amendment of 1935 the then Secretary of State had the house adopt a bill whereby all litigation was suspended during the inquiry by Judge Parker. I have had to extend further the time of suspension of all such litigation, as provided for in the 1935 amendment, until this house shall have taken action. I may point out, however, that not only is it desirable to appoint an appeal tribunal which will sit in December, 1936, but it is also necessary to give the Secretary of State power to apply the rates recommended by Judge Parker not only for the time intervening between the filing of his report and the operation of this new tribunal but also for the transition stage between the time he was appointed and the time he made his report. After consultation with the Department of Justice I have been advised that there is doubt as to whether the Secretary of State would have the right to make that adjustment unless he were authorized by parliament. For all these reasons I commend the resolution to the house and, on the understanding I have just given, perhaps the house will allow the resolution to go through committee so that I may introduce the bill which is to be based upon it.

Mr. WILTON: I should like to know to what extent this resolution affects the piratical demands of the performing right society. I want to have that information so as to be able to vote intelligently on the resolution.

Mr. RINFRET: I am hardly in order in replying, but I take it that this discussion will not be protracted. I have already explained that the idea of the resolution is to permit the introduction of a bill which will cover the time between the filing of fees of the Canadian Performing Right Society, which has been the subject of inquiry, and the time when this tribunal will sit. I shall ask parliament to authorize the Secretary of State to fix the fees, which will be those recommended by Judge Parker, but I do not think that these fees should be extended further than a certain period. After the first of December of this year, if the bill passes, it will be for the appeal tribunal to decide finally whether there is any dispute as to the fees filed by the performing right society.

Right Hon. R. B. BENNETT (Leader of the Opposition): I need only point out that there are two matters which are affected; one is our obligations under the Berne convention to which we became a party during the regime, I believe, of the government of which

the Secretary of State was a member and which is binding upon us, and the second is the extent to which we are warranted in setting up another commission to deal with a matter of this kind. As to the first, ample opportunity will be afforded when the bill is in committee to discuss it if the minister is agreeable to that, because it is a matter in which we have incurred international obligations that are not easily set at nought. On the second point, I had thought that possibly this matter could be referred to the board of railway commissioners. They have not been too busy. They have been accustomed to fixing freight rates and might easily deal with a problem of this kind, because they would approach it without preconceived notions, and the law requires them to have certain qualifications. Moreover, they represent every part of Canada and they would bring to bear upon the matter before them a wealth of experience that could not be expected from officials of departments in matters of this sort, and this would save a lot of cost. However, that matter can possibly be discussed later. I have no desire to impede the hon. gentleman in getting his resolution into committee, but we must reserve our rights to have questions asked and answered when the bill itself is in committee of the whole if the resolution is given effect to to-night.

Mr. DUNNING: Conceded.

Motion agreed to and the house went into committee, Mr. Young in the chair.

Mr. BENNETT: Subject to the reservation that I made a moment ago.

Resolution reported, read the second time and concurred in. Mr. Rinfret thereupon moved for leave to introduce Bill No. 55, to amend The Copyright Amendment Act, 1931.

Motion agreed to and bill read the first time.

Mr. BENNETT: We do not desire to be taken as conceding the principle in its entirety, but reserve our right to discuss the bill in detail and make suggestions we may think reasonable, perhaps involving a departure from certain principles inserted in the bill.

Mr. RINFRET moved the second reading of the bill.

Motion agreed to and bill read the second time.

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

[Mr. Bennett.]

## Friday, April 24, 1936

The house met at three o'clock.

### BANK OF CANADA

RULING OF MR. SPEAKER ON MOTION FOR INTRODUCTION OF BILL BY PRIVATE MEMBER

On the order:

Introduction of bills—Mr. Reid—Bill intituled: "An Act to amend the Bank of Canada Act."

Mr. SPEAKER: When the hon. member for New Westminster (Mr. Reid) on Wednesday last moved for leave to introduce a bill to amend the Bank of Canada Act, a point of order was raised by the Minister of Finance (Mr. Dunning), and I deferred my decision until to-day because I wanted to make a complete examination of the proposed bill. I find that the bill is not in order, and shall now give the details of my decision.

The objects of the bill which the hon. member for New Westminster is seeking to introduce in amendment to the Bank of Canada Act are to allow the Bank of Canada to hold silver coin and bullion in conjunction with gold as a reserve against the note issue and deposit liabilities and also to authorize the issue of certificates against the silver held in the reserve.

Under section 31 of the act, the Receiver General of Canada is entitled to share in the profits of the bank. If the reserve required as security against outstanding notes and deposit liabilities is to consist of silver bullion as well as gold, the fluctuations in the price of silver may cause the bank to sustain serious losses and therefore its profits may be substantially curtailed with an accompanying reduction of the receiver general's share therein and therefore a diminution of the public revenue. It is an established principle in British parliaments, which was set down by a standing order passed in the British House of Commons as far back as 1707, that financial business must originate in a committee of the whole house.

Private members cannot introduce a bill of this character, which ought to be preceded by a resolution on motion of a minister with the recommendation of His Excellency the Governor General.

Moreover, there is now on the order paper a resolution in the name of the Minister of Finance antecedent to a bill to amend the Bank of Canada Act so as to increase the capital stock of the bank and to assure ownership of a majority of shares by the government. Full discussion on this measure cannot be anticipated by a private member's bill, and in determining whether a discussion is out of order on the ground of antici-

pation, the authors say that regard shall be had by the Speaker to the probability of the matter anticipated being brought before the house in a reasonable time. I am well aware that a motion for leave to bring in a bill is in order even if another similar motion with regard to a bill dealing with the same subject matter stands on the order paper, but when the latter is a government measure announced in the speech from the throne and bound to be taken up by the house, I doubt if the discussion of some of its provisions can be forestalled by the introduction of a private member's bill. For this reason and also because the bill sought to be introduced deals with a part of the dominion's finances, I rule it out of order.

Mr. THOMAS REID (New Westminster): Speaking to the point of order, Mr. Speaker, I suppose I shall have to abide by your decision, but I would point out that your decision dealt with only one part of the bill. When this bill was before the house last year the same position was taken by the then Speaker, and although I have modified my bill to conform with the ruling then given, it has again been thrown out, and again only the first clause of the bill has been dealt with. Last year when I introduced my bill I was supported by members of the present government who said that the bill was in order.

Mr. MacNICOL: They did many things last year they would not do this year.

Mr. SPEAKER: Order.

## PRICES OF FARM IMPLEMENTS

On the orders of the day:

Mr. T. C. DOUGLAS (Weyburn): I would ask the government if it has drawn to the attention of the agricultural implement industry the motion passed by this house asking that industry to keep the price of farm implements at their former level until the present investigation has been completed; what assurance has been received from the agricultural implement industry, and why has this request not been complied with?

Hon. J. G. GARDINER (Minister of Agriculture): Mr. Speaker, letters were sent to the implement companies calling their attention to the resolution passed by the committee. So far as I know there has not been, down to the present, information received in reply from all the companies. I think a letter was received from one company, but I would prefer when the information is produced to have it brought down as a whole.

Mr. M. J. COLDWELL (Rosetown-Biggar): Does the government contemplate bringing down any legislation or taking other action to bring the implement companies to a reasonable frame of mind regarding these prices?

## MOOSE RIVER MINE RESCUE

On the orders of the day:

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I hesitate to do more than suggest to the government, particularly to the Prime Minister (Mr. Mackenzie King), the possibility of considering whether parliament might not itself take some steps to mark its appreciation of the heroic efforts of those who restored to society the two gentlemen who were entombed at Moose River. It might be well in view of the subscription that is being taken up by the Canadian Red Cross to do something for them, or for the government to consider whether parliament as such might not take some other means of marking our appreciation of what has been done. I was going to mention it privately to the right hon. gentleman, but I was detained and did not get into the house until this moment.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, may I say to my right hon. friend that had I been in the house yesterday I would have sought to give expression to what I believe to be the feelings of all hon. members with respect to the heroic service rendered by those who participated in effecting the deliverance of Doctor Robertson and Mr. Scadding from their long entombment in the mine at Moose River. Unfortunately I was not in the city. I sent a message by wire, however, from Toronto, to the Premier of Nova Scotia, in which I ventured to express sentiments on behalf of all members of parliament which I believed it would be their wish to have expressed. In the circumstances I did not rise in my place to-day on the orders of the day to make a further reference, but I may say to my right hon. friend that the government has had under consideration the very matter he has suggested.

Now that the leader of the opposition has mentioned the subject, I should like to say that I know it is the wish of hon. members of parliament that some expression should be given in its records to the feelings of relief, joy and thankfulness felt by us all at the saving of the lives of Doctor Robertson and Mr. Scadding, to our feeling of profoundest sympathy with Mrs. Magill and the members of her family in the bereavement which they

have suffered, and to our unbounded admiration of the heroism of those who, altogether regardless of the risks involved, cooperated in the rescue effected.

I imagine at no other time have the thoughts of persons of all classes in all parts of this country been more united in their hopes and wishes and prayers than they have been during the past fortnight. There has been on the part of the people of Canada as a whole a unanimity of feeling alike of the deepest sympathy and of the greatest admiration as respects those who displayed such determination, fortitude and endurance and who so bravely and so efficiently cooperated in effecting the rescue, as also with respect to those who were rescued. We have felt that we have had a manifestation of the human spirit at its highest and best. That spirit has exhibited itself in a manner which has reflected credit not only on all those who participated in the actual rescue, but on our whole country. There has been service, not for the sake of recognition or decoration, but for the love of service itself; a willingness, if need be, to give life with no thought other than to save life. It is wholly appropriate that members of this parliament should express their profound appreciation of what will remain I believe for all time an epic in Canadian annals, revealing at its true worth the character of the men and women of this country.

Mr. DANIEL McIVOR (Fort William): Mr. Speaker, perhaps fools rush in where angels fear to tread. This example of bravery and endurance has thrilled all Canada, but I am concerned, sir, with the value of human life wherever it may be, whether in Canada or in Ethiopia, and I think it is time that the Christian nations of the world woke up to the value of human life anywhere.

## SUPPLY

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

### SUPERANNUATION

To provide for retiring allowances to former employees of the department of public printing and stationery, $6,432.

Mr. BENNETT: I should like to inquire of the government if the work with respect to superannuation has progressed beyond where it was a few months ago. Probably the Minister of Finance (Mr. Dunning) will be able to answer this question. As the minister knows, superannuation payments are paid into the consolidated revenue fund and are utilized for general public purposes. For some time an effort has been made to determine the exact actuarial position of the superannuation fund, that is, whether or not the fund is sufficiently large to meet the charges against it, having regard to the sums that must be paid and the ages of those entitled to payment. So far as I am aware this work was not completed and I do not know to what extent the actuarial investigation has gone forward. This is one of the matters to which we gave some attention and made some reference during the first year we were in office. If the minister has any further information on this matter, I think it should be given to the committee. It is possible there may be an increase in our liability as the fund may or may not be ample for the purpose of meeting the charges which may be made against it. I do not know whether any progress has been made in determining this during the last six months.

Hon. CHARLES A. DUNNING (Minister of Finance): Mr. Chairman, I think the answer is that no progress has been made. I know my right hon. friend and the Minister of Finance of his government, Hon. E. N. Rhodes, both received delegations from civil service associations making representations, among other things, with regard to the superannuation fund. After consultation with my colleagues, I undertook that during this term of parliament a committee of parliament would be appointed to deal with matters of this kind and other matters respecting the Civil Service Act. Having that in mind, we shall endeavour to press along the investigation into the very complex matter to which my hon. friend refers in order that information may be available to the committee.

Mr. NEILL: The minister in making his reply does not seem to have touched upon what is almost a burning question, that is, the need of superannuation by a large body of public servants who are not now eligible.

Mr. DUNNING: That is part of the question.

Mr. NEILL: Many of these people occupy what are known as permanent-temporary positions, whatever they may be. Some of them have served the government thirty-five years, but they are still considered as temporaries and are not qualified for superannuation. They are paid what are known as current rates; they receive their salaries year by year on a fixed basis, and I hope the minister will consider the many discrepancies of this kind. He mentioned appointing a committee during this term of parliament, but I hope that means during the next

session. I believe there was a committee of the civil service which sat for some years and which made certain recommendations to which very little attention was paid. I hope this matter will be gone into because it is a terrible thing that people who have served their country well for twenty or thirty years cannot get any superannuation.

Mr. DUNNING: That would be part of the subject with which I dealt when replying to the leader of the opposition (Mr. Bennett). I would not like to give a definite undertaking that a committee similar to what was known as the Malcolm committee will be appointed at the next session of parliament; the next session of parliament is a long way off, and I merely repeat the undertaking I gave on behalf of the government to the civil service organizations that waited upon me in connection with all these matters.

Mr. BENNETT: It might be desirable to set up a small committee in the service with powers under the Inquries Act, so that when the committee of the house meets the actuarial review will have been completed and the committee of the house will be able to deal with it. A committee of the house can deal only with facts that are made apparent to it, it would not be able to deal with this complex actuarial question. I am speaking subject to correction, but I believe the superintendent of insurance and his department were giving some attention to this phase of the matter.

Mr. DUNNING: That is correct.

Mrs. BLACK (Yukon): When this superannuation question is being considered will the minister consider also the condition of many retired civil servants in the Yukon who were so dishonestly and corruptly treated by the previous government?

Mr. DUNNING: That is a matter which scarcely falls within the scope of amending the law, unless it were decided to change completely the basis of civil service superannuation. I am in some embarrassment in replying to the hon. member, but if she has reference to the matter to which I believe she has, in connection with which some parties desire to take action against the government, I am afraid that is a question of the interpretation of the law as it now exists. From the examination I have been able to make of it, I certainly cannot join her in applying the terms she does to my predecessors in office.

Mr. BENNETT: It applies to the government previous to that, because that is where it originated.

Mr. DUNNING: I can only assure the hon. member that the government is quite prepared to make a thorough examination of the merits of the case. This really does not involve considerations similar to those involved in the other matters to which I referred.

Mr. STIRLING: I notice this item applies only to one department of government. Could the minister explain why it should relate only to the public printing and stationery branch?

Mr. ELLIOTT (Middlesex): When the committee rose the other evening we were considering the post office items on page 93. I do not think this particular item was intended to be considered this afternoon.

Sir GEORGE PERLEY: I see no reason why this item should not be carried.

Item agreed to.

POST OFFICE

Salaries, including amounts required to pay allowances to office appliance operators, grade 2, operating mechanical audit card punching machines in accordance with the terms of order in council P.C. 280/383, dated February 17, 1930; to pay allowances to typists, grade 1, employed cutting stencils in accordance with regulations approved by order in council; and to pay allowances to office appliance operators, grade 2, in the revenue division employed as key punch operators, schedules and rates to be decided upon by the Civil Service Commission and the Post Office Department and approved by the governor in council, $1,248,660; contingencies, $155,920.

Mr. POULIOT: May I ask the minister if there are any more copies left of the very beautiful and very expensive album published last year under the instructions of Mr. Sauvé, the former Postmaster General? If so, is a copy available for every member of the house? If there is not, may I ask whether there will be a copy in the parliamentary library.

Mr. ELLIOTT (Middlesex): I am unable to answer the question offhand but I shall be glad to make inquiries and see that my hon. friend at any rate is furnished with a copy.

Item agreed to.

Salaries and allowances, $16,063,627.50.

Mail services, including mail services by air, $13,874,500.

Miscellaneous, including $5,000 to provide for payment of compassionate allowances to employees injured while in the performance of their duties or to other persons injured while performing duties in any 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, $989,600—Total, $30,927,727.50.

Sir GEORGE PERLEY: Perhaps the minister has some general observations to make regarding the department.

Hon. J. C. ELLIOTT (Postmaster General): This item is made up of salaries of postmasters of post offices on the city or staff basis, of district directors and superintendents of postal services. It is practically all outside service. It includes the salaries of 1,143 railway mail clerks, the mileage allowance paid railway mail clerks and any salaries of the temporary staff in the outside service, totalling 430 employees. Then there are railway mail services amounting to $6,718,474 and steamboat, $272,241. I think those are the general services that are provided for.

Mr. HEAPS: Prior to the Easter recess when some other items of the Post Office Department were under consideration I raised the general question as to why we should not have a sort of concise balance sheet to show exactly how the post office is run and what its annual income and expenditures really are. At present hardly a member of the house knows anything about the operations of the postal service. We skip from one page of the estimates to another, discussing one item and then something else without really getting a complete picture of the operations of the postal service of Canada. When it comes to the buildings we find that they are in some way included as part of the operations of the postal service, though coming I understand under the jurisdiction of the Department of Public Works. It is impossible for any member to know exactly what the net result is. I asked the minister a few weeks ago whether he would prepare a statement along these lines and I should like to have from him now, or at any rate later on in the estimates, a complete statement such as any business organization would give in the discussion of the operations of an ordinary utility. That is to say, I want to know the total amount of income in the last fiscal year, the total expenditures, what buildings come under the jurisdiction of the department and whether the operations of these buildings are charged to the post office account. We should know all that. I wonder if the minister is in a position to give that information.

Mr. ELLIOTT (Middlesex): I thought that I gave that information at the last sitting of the committee but evidently I did not make it sufficiently detailed for the hon. gentleman to get the plan clearly. The total revenue for the fiscal year just ended was $39,122,198. From that is taken first the amount of salaries and allowances paid to postmasters at revenue offices, being $6,171,000. You add to that other things such as discount, stamp vendors and postmasters, compensation to messengers for special delivery of letters, $302,000. Then there are losses by fire, burglary and so on amounting to $4,000; balance of commission paid to other countries on money order business, $7,000; postage on parcels to other countries, $56,764; transit charges on correspondence to other countries; $55,000; indemnity paid owners of lost insured parcels, $18,000. These items make a total of $6,614,000.

I am not surprised that any hon. member should have some difficulty in understanding why the bookkeeping is done in the way it is, but that has been the system since confederation, I am advised. All the revenues are put into one account and that comes to $39,000,000 odd as we figure it at the present time. Then you deduct from that the $6,000,000 for the items I have already mentioned—$6,614,748.40. That leaves what is called a net revenue—it is so described, and has been for as many years as I have been able to find any details of it—amounting to $32,507,449.64. The expenditure for the outside service is made up of salaries and allowances: to postmasters and staffs, $12,260,000; district directors and staffs, $810,000; railway mail clerks, $1,951,179; mileage for those clerks, $634,330; making a total of $15,655,509 for what are called salaries and allowances. Coming to the mail service: for railways we pay out $6,718,474; for steamboats, $272,241; for land services, which includes the rural mail deliveries and the side services, that is from station to office or distributing point, $5,945,150; air service, $281,483; mail bags, $220,000. That makes a total of $13,437,348. The balance of the $29,000,000 is made up of the following items: commissions to postmasters, $2,400; travelling expenses, $60,000; printing and stationery, $250,000; postage stamps, $185,000; hand stamps, $388,000; Magdalen Islands service, $500; compassionate allowance, $1,000. Those items total $886,900. The total of that is $29,979,757.

Mr. HEAPS: That does not give us the real picture of the postal service in this country. We have here a net income of a little over $32,000,000 and an expenditure of close to $30,000,000. That does not take into consideration all the buildings and equipment throughout the country?

Mr. ELLIOTT (Middlesex): No.

Mr. HEAPS: I do not think that is a proper way to do the business of the country.

If the only excuse the government has—and it applies to past governments as well—is that this system has been in effect from the time of confederation, I think it is high time we had a change, and I suggest that the Post Office Department cannot start too quickly to bring about a change by adopting some more modern method of doing its business than, evidently, it practises at the present time. There are throughout this country huge post offices; we do not know their value; we do not know the cost of maintenance of them or any of them, and we cannot have a real picture of the utility, as I call this postal service, until there is placed before us a proper balance sheet, showing the total income, the total expenditure, the cost of the various services that the people receive in respect of matters that come within the jurisdiction of the postal service.

I know that the present Postmaster General is just as anxious as any member of this house to see that we get an efficient and up to date postal service. I believe he wants to conduct the post office, as far as he possibly can, free from some of the evil influences which we know sometimes surround postmasters in their official positions. I want to impress upon him the desirability of instituting from now on a change in the whole administration of the post office. For instance, buildings are erected—by whom, I do not know; possibly by the Department of Public Works.

Mr. ELLIOTT (Middlesex): By the Department of Public Works.

Mr. HEAPS: Some are erected, I believe, by way of unemployment relief. Suddenly the Post Office Department is asked to take over these buildings, whether it requires them or whether it does not. Of course the buildings are maintained by the Department of Public Works and do not appear in any way as part of the postal service. I have come to the conclusion that as in fact they are part of the postal service they should come as far as possible within the jurisdiction of the Post Office Department; at all events they should not be entirely under the Department of Public Works. I favour, of course, the largest possible degree of cooperation between the two departments. But what I am anxious to have from the Postmaster General is some idea whether we cannot escape, from now on, from the tradition which has evidently affected the operation of the Post Office Department since the time of confederation, and launch out into some more up to date method of doing its business.

Mr. ELLIOTT (Middlesex): With regard to part, at any rate, of my hon. friend's statement I must say that he cannot get into any argument with me, because I agree that this is an unusual way of keeping the accounts. But when you come to consider the whole situation you are confronted with the problem of just in what way you can improve upon it. My hon. friend is quite right in saying that the expenditures include nothing for the construction of all the larger buildings that house the large post offices and post office facilities, departmental and other. They are built and to a large extent furnished by the Department of Public Works. They are taken care of by the same department. While perhaps it looks like an anomalous situation to have one department erecting the buildings and another department occupying them and not being charged up with anything for rental, for caretaking, or for a large part of the repairs, at the same time, as one who happens to know something about the Department of Public Works, I believe that that department should construct all the buildings that are used for the various services. I do not think that we should have the Post Office Department erecting buildings—

Mr. HEAPS: I am not suggesting it.

Mr. ELLIOTT (Middlesex): —and various other departments also constructing buildings. I believe it might be possible to keep some account of what it actually costs the country for reasonable rentals or a reasonable interest on the expenditure upon the buildings to which my hon. friend refers. I might add that when he asked the question the other evening I made inquiries of the Department of Public Works, which by the way is always a busy department, particularly so this year and at this time, when they are preparing their estimates, and my hon. friend might think I was exaggerating if I told him the amount of time required by a great many clerks to give us a fairly accurate estimate of what these costs are. Take the Langevin block, which was built by the Department of Public Works; this building is now occupied by various departments. At the present time it seems almost an interminable job to figure out the space occupied by each of these various departments in the various buildings throughout the country.

Mr. WOODSWORTH: But surely any department store has to do that in figuring its costs.

Mr. ELLIOTT (Middlesex): My hon. friend would know as much as I know about the

way in which a department store is run. I do not imagine that a department store, all owned by the same company, would require to figure out the cost of the foot space occupied by each little branch of each department.

Mr. WOODSWORTH: I do not say that, but they actually do figure out how much of the cost should be allocated to each department, and the manager of that department is held responsible for making the department pay. With regard to the production even of locomotives, in the railway shops, or repairs, they have staffs that are able to figure the cost and that is charged up to the various departments, or so I am informed. I do not see why we cannot have in the government a system which would be in conformity with modern business practice.

Mr. ELLIOTT (Middlesex): I have no doubt it could be done; it is a question for parliament to consider. This is not a new matter; it has been considered many times before. It is just a question whether or not the cost of figuring out all these various services in the many buildings that would have to be taken into account can be justified as an expenditure at the present time. It would have to be a very greatly increased expenditure, and now, beyond question, we are facing a heavy deficit when you take into account the rental of the buildings at fair prices.

Mr. WOODSWORTH: Just one other point, as a matter of information. In the statement he gave did the minister include the cost of the inside service, what we would call the overhead, the cost to the department?

Mr. ELLIOTT: No, that $29,975,000, to which I think my hon. friend refers, is just for the outside service.

Mr. HEAPS: I do not want the minister to feel for a moment that I am criticizing him personally or the officers of his department; this is something that has grown up during the years, and I can understand how difficult it would be to launch out immediately on something new after going along in the same old ruts for so many years. At the same time there is no reason in the world why the things I have suggested cannot be done. I think the people have a right to know exactly what the postal service is costing them, and we are not in a position to say what it really does cost.

Mr. VENIOT: Would the hon. member make that apply to all other departments?

Mr. HEAPS: Absolutely, without exception; I do not think we should make any difference between the departments. I should like every department to stand on its own feet. This should apply particularly to the Post Office department because it is a utility, a revenue producing department. It may be that the people are not paying enough for the services that are rendered, but I should like some true idea of the real position of that utility, and under the present method of bookkeeping it is impossible to obtain that idea. To-day I do not know how many post office buildings are owned outright by the government. I do not know how many buildings are leased for postal purposes. I do not know, and I do not suppose the minister is in a position to give it to me at this time, the total cost of the buildings in various parts of this dominion that have been erected purely for postal purposes. We should have all that information; we should have some idea of the annual interest charges on those postal buildings, and we should have some idea of the cost of maintenance. When we get those facts we will have some idea of what the postal service of this country is costing us. As it is now all we receive is a bald statement, in more or less detail, that there is a net revenue of $32,000,000 and an expenditure of approximately $29,000,000. That is not a fair picture to present to the people, because it is not a true picture. All I am attempting to do this afternoon, as I have done previously, is to see whether it is not possible to assist the minister in getting a proper picture of the postal service of this country from a financial standpoint so that perhaps in another session we may be able to review the postal estimates more intelligently than we can at the present time. I cannot say anything more about it now, except that often after we go over these estimates we are no wiser than we were before, and that is unfortunate. Sometimes I cannot help thinking that it is odd that we in this little group, who are sometimes charged with knowing so little about business, should be the ones to insist on business methods being followed in the conduct of government.

Mr. ELLIOTT (Middlesex): I would only say to my hon. friend that it is not a matter of choice. From sheer necessity we are compelled to cut out some expenditures that we might think advisable at the present time, in arranging our estimates it has been necessary to do that. I did ask the public works department for a statement along the lines suggested by my hon. friend. When the hon. gentleman speaks of buildings used for post office purposes only, however, I think he will realize that very few of the public buildings that have been erected in Canada are used for postal purposes only. In nearly every building there is a customs office though unfortunately, in the interests of economy, many of those

customs offices in the smaller places were closed recently. At other points you may have a little armoury in the public building, where the arms of the local militia unit are kept, and of course when you get into the larger buildings the situation becomes much more complicated.

I quite appreciate the fact that my hon. friend is doing this in a desire to be helpful, and I have no quarrel with him at all. I think all these discussions are entirely to the good, because this should be a business institution. The department is a large one; our revenue now amounts to nearly $40,000,000 a year, and comes principally from the sale of postage stamps. That means a lot of business, a great many transactions and a great deal of work in handling mail, newspapers and various other articles. My hon. friend will realize that even in the management of an office, for instance, the situation has changed materially in the last fifteen or twenty years. I recall that when I first occupied an office no one ever thought of estimating the cost of the foot space occupied by each individual in the office. That is done to-day in up to date offices; they know just how much space is used by each man in the office, what share of the time of the office staff he requires, what is involved in the cleaning of his office space, and so on. I suppose the time will come, perhaps sooner than my hon. friend thinks, when some such system will be adopted in the various departments of the government. That is all I can say about it. I am satisfied the business of the department is being conducted with due consideration for economy and an endeavour to serve the public. I do not believe I can add anything to what I have already said.

Mr. MacNICOL: Are there individual accounts for each post office in Canada, indicating the debits, credits and revenues of each?

Mr. ELLIOTT (Middlesex): Yes, and it is on those revenues that the remunerations of postmasters in revenue post offices are based. The annual report shows all post offices in Canada and the revenues of each.

Mr. MacNICOL: Has the minister the net revenue for the Toronto post office?

Mr. ELLIOTT (Middlesex): For the year ended March 31, 1935, the revenue of the Toronto post office, including an amount of $17,169 for non-accounting suboffices, was $6,899,398.08. That is divided, and I can give the figures if the hon. member wishes to have them.

Mr. MacNICOL: No; I should like to have the net profit over and above the expenses.

Mr. ELLIOTT (Middlesex): We have not that information. That revenue goes in as part of the $39,000,000, and there is no net expense account for Toronto.

Mr. MacNICOL: How can you tell whether a post office is a liability or an asset to the country? I am referring now not particularly to the Toronto post office, but to any post office from which revenues are derived.

Mr. ELLIOTT (Middlesex): We can give the salaries and allowances, and can give further information as to costs of all services. We can give a close estimate of a particular office's proportion of the general overhead of the department.

Mr. MacNICOL: Then I take it that the net revenue for Toronto is not kept separately.

Mr. ELLIOTT (Middlesex): No, in the sense that there is a charge for public buildings.

Mr. MacNICOL: In looking over the public accounts I notice that in Toronto the head official is called a district director, whereas in Vancouver he is called a district superintendent. What is the difference between these two officials?

Mr. ELLIOTT (Middlesex): In some cases the offices of district director and postmaster for the main office have been combined, and in that event the official is called a district director, because he not only manages the local post office but also directs the services in the district. In the other instance the official is called a district superintendent. That is the best explanation I can give. I have had prepared a chart showing a list of offices and officials, starting with the office boys right up to superintendents.

Mr. VENIOT: Can the minister tell when the distinction was first made between district superintendent and district director?

Mr. POULIOT: The previous government did it.

Mr. ELLIOTT (Middlesex): I am advised it was about 1933 or 1934.

Mr. POULIOT: It was done by the Bennett government.

Mr. MacNICOL: The public accounts show that the district director of Toronto receives only $4,771 per year. That seems to be a small salary for a man with such great responsibility. The district director in a large city like Toronto would have heavy responsibilities. Is that all he receives?

Mr. POULIOT: He has so little because McNaughton has too much.

Mr. ELLIOTT (Middlesex): The maximum to which he will eventually go will be $6,000, a substantial sum.

Mr. SPENCE: Is the minister referring to the postmaster at Toronto?

Mr. MacNICOL: At this time he receives only $4,771.

Mr. ELLIOTT (Middlesex): Yes.

Mr. MacNICOL: I do not see in the public accounts that any postmaster, either for Montreal or elsewhere, is receiving $6,000. The official in Montreal is receiving the extremely low salary of $3,132. That would seem to be a ridiculous salary for a man in that position.

Mr. ELLIOTT (Middlesex): What is the date of the report from which the hon. member is getting his information?

Mr. MacNICOL: It is the report of the auditor general for 1935.

Mr. ELLIOTT (Middlesex): I think all the postmasters in question are getting more money now. For several years salary increases were stopped, and the salaries in the report from which the hon. member reads are the salaries paid prior to the time the increases began to take effect.

Mr. MacNICOL: That makes it all the worse.

Mr. ELLIOTT (Middlesex): Quite so. Nevertheless we cannot have it both ways. One hon. member complains about losing money in the post office administration.

Mr. MacNICOL: The Toronto office is a large revenue producing office; perhaps it is your chief revenue producer.

Mr. ELLIOTT (Middlesex): There are grade five district directors at Toronto and Montreal, and the salaries run from $5,400 to $6,000.

Mr. MacNICOL: That is what they will be, in due course?

Mr. ELLIOTT (Middlesex): Yes.

Mr. WOODSWORTH: I had intended to follow my colleague in a few words along lines suggested by the minister's answer. He speaks of the difficulties of carrying out the administration in a businesslike way. May I mention one further illustration: There are arrangements between the Canadian Pacific Railway and the Canadian National Railways by which they run pool trains and have pooled services at terminals. Often they run over one another's lines, and in some instances they have joint terminals. Sometimes they utilize one another's rolling stock, and all that kind of thing. I am not prepared to say exactly how they work out their arrangements, but if it is possible for these two great railroads, which are supposed to be rivals in their services at least, to estimate closely the cost that should be charged to each road, I cannot see that it would be anything like as difficult for a department such as the post office to work out some system of allocating costs. To-day, as my friend from Toronto has said, you cannot tell whether any office, even the Toronto office, is really revenue producing. It may have a certain revenue, but the initial expenses may be so great as to offset the revenue.

Mr. GOLDING: Everybody knows the expense is greater.

Mr. WOODSWORTH: We do not know anything about it from the minister's statement, and that is my point. I think we ought to have a statement so that the public would have knowledge with regard to the Toronto office and the Winnipeg office and any other office as well as with regard to the whole system.

Mr. ELLIOTT (Middlesex): In order that there may be no misunderstanding, we can tell the cost of each of these services except the cost to which my hon. friend has referred, that is the cost of the rentals. All the other costs can be estimated fairly closely. We can ascertain the cost of the caretaker, the cost of coal and fuel, the cost of repairs for that particular building, and all that is kept track of by another department.

Mr. WOODSWORTH: The exception is the very thing we are talking about, and we urge that that exception should be included in order to get a proper balance sheet. Surely the minister will admit that. We do not know to-day, and we ought to know, what should fairly be charged up to the Toronto office for rental, interest, overhead and departmental expenses. The balance sheet should be so arranged that we know the costs for the whole system as well as for particular offices. Not merely should we have this information with regard to each office, but parliament is supposed to pass upon the different charges that are made by the Post Office Department. The department charges three cents postage for a letter, one cent for something else, so much for newspapers, and so on, but unless the department knows the cost of particular services we can have very little conception whether or not the newspapers, for example, are carrying their fair share of the load. It may be that indirectly we are subsidizing the newspapers and magazines to the extent of a very large sum. I have a suspicion that we are, but we have no means of knowing that, and we should know it. If

we are to determine intelligently the costs of the different branches of the service we must have a full statement. I am not very well satisfied with the minister's statement that he has inherited the system and hopes that at some indefinite time in the future it may be changed. He says it has existed since confederation and that many times there has been an agitation to bring about a change. Does the minister suggest that we have to wait another sixty or seventy years until we are all dead and gone before some intelligent government can initiate changes? I would like to have from the minister before we get through to-day a definite assurance that he will initiate the change before the next parliament; then we will know where we are at.

There are two points on which I should like information. The minister spoke about subsidies to the steamship lines. Has he at hand the amount paid to the steamship lines, and also the amount of the subsidies paid to the two great railway companies?

Mr. VENIOT: Do you mean transatlantic steamships? The post office pays no subsidies to them.

Mr. WOODSWORTH: The minister mentioned the word subsidies, and I want to know what subsidies are being paid.

Mr. VENIOT: He mentioned delivery of mail by steamer, but that was not transatlantic.

Mr. WOODSWORTH: Is this another expenditure that has not been mentioned?

Mr. ELLIOTT (Middlesex): We paid altogether for mail service by steamboat in the dominion, $272,241. The main subsidies to steamships are paid by the trade and commerce department. The amount I gave is what we pay to various steamships in different parts of this country for bearing in some cases a part of the cost of transferring the mail from one point to another where water has to be crossed.

Mr. WOODSWORTH: Entirely within the bounds of Canada?

Mr. ELLIOTT (Middlesex): Yes.

Mr. WOODSWORTH: Is that a fixed charge, or is it a payment for actual services rendered?

Mr. ELLIOTT (Middlesex): It is for actual services rendered, and the amount is arrived at much in the same way as it is for the rural mail service. Sometimes it is part of a courier contract where the mail is carried in part by land conveyance and in part by steamboat.

Mr. WOODSWORTH: The minister says that subsidies to the transatlantic and transpacific steamships are paid by the Department of Trade and Commerce. Has he any idea of the value of these services to the post office?

Mr. ELLIOTT (Middlesex): My hon. friend will understand that it is hard to figure it out to a cent, but I may say that besides the services arranged for and paid for by the Post Office Department, the Department of Trade and Commerce provides a subsidy covering the use of steamships for both the transatlantic and the transpacific services, and the discontinuance of this arrangement would mean that an additional $300,000 would have to be provided in the post office vote to carry on this service. It is worth that to us.

Mr. WOODSWORTH: You consider it worth that to you?

Mr. ELLIOTT (Middlesex): Yes.

Mr. WOODSWORTH: Does that mean that that is what it costs us now, or what it would cost to provide a substitute service?

Mr. ELLIOTT (Middlesex): If we had to provide it, that is what it would cost us.

Mr. WOODSWORTH: One other point. You pay the railways for carrying the mails. Are you able to determine what that costs?

Mr. ELLIOTT (Middlesex): Yes, we can tell that exactly.

Mr. WOODSWORTH: What is paid to the Canadian Pacific and what to the Canadian National?

Mr. ELLIOTT (Middlesex): We paid to the Canadian Pacific $3,432,249.22 and to the Canadian National $2,779,389.44 for the fiscal year ended March 31, 1935, and to other railways for the same year, $369,645.35.

Mr. WOODSWORTH: May I ask why a larger amount is paid to the private road than to what is ordinarily termed the government road?

Mr. POULIOT: It was done by the Bennett government.

Mr. ELLIOTT (Middlesex): The difference in the payments is explained in this way: First, there are the transcontinental railway post office services on the Canadian Pacific Railway which were organized prior to the Canadian National railway being constructed. The Canadian Pacific railway being the pioneer road across Canada, it follows that the majority of important towns and cities have grown up and developed around that railway and it was only natural that the trans-Canada postal services should be organized thereon. Next, there is the car-

riage of transatlantic and transpacific mail; to China, Japan and Australasia on the Pacific, and to the United Kingdom and Europe on the Atlantic. Mails which arrive on Canadian Pacific steamers are transported, under agreement, on Canadian Pacific railway trains, and vice versa. Mails carried on Cunard and White Star steamers are transported on Canadian National railway trains, and vice versa.

Mr. WOODSWORTH: If I post a letter in Vancouver, why cannot that letter come to Ottawa over the Canadian National railways? Why has it to be sent by the Canadian Pacific railway? This is not a transpacific transaction, it is something happening within the bounds of Canada. I should like to know why it is, when we have our own government railway, constant preference is given to a privately owned road.

Mr. ELLIOTT (Middlesex): We endeavour to get the mail carried on the fastest route available.

Mr. WOODSWORTH: Has the Post Office Department ever made any representations to the board of railway commissioners that the Canadian National Railways be permitted to travel as fast as the Canadian Pacific?

Mr. ELLIOTT (Middlesex): It is not a question of the speed of the respective trains; it is the routes and the timetable. The hon. member has referred to the service from Vancouver to Ottawa. I think he will readily understand that a more direct service can be had over the Canadian Pacific.

Mr. WOODSWORTH: Would the minister give the difference in the running times?

Mr. ELLIOTT (Middlesex): I cannot do that offhand.

Mr. WOODSWORTH: I do not think the minister ought to—I shall not say "bluff," but he ought not to put forward that point of view unless he is prepared to give the running times. I believe the running time between Vancouver and Ottawa is the same on each road. I cannot see why we cannot use our own line rather than a private line.

Mr. POULIOT: I should like to submit one fact to the Postmaster General. Mail leaving Ottawa for Quebec and the maritime provinces is carried on the Ocean Limited which leaves Montreal at eight o'clock; this mail leaves Ottawa on the Canadian Pacific train leaving here at three thirty, the mail closing around two thirty o'clock. It would be much more convenient if the mail going east could be sent to Montreal on the Canadian National Railway train which leaves at four thirty in the afternoon. The mail would reach Montreal in ample time to be transferred to the Ocean Limited and the people in Ottawa would have one more hour in which to attend to their correspondence. The Canadian Pacific Railway would not suffer very much and those people who are writing to eastern Canada would be benefited. Will the minister kindly consider this suggestion?

Mr. ELLIOTT (Middlesex): I shall be glad to look into any suggestion made by hy hon. friend. I do not know the times at which these different trains leave, and I make no pretence of knowing it. I do not think the hon. member for Winnipeg North Centre (Mr. Woodsworth) was serious when he suggested that I was trying to bluff the committee, any more than I would be serious if I suggested that he was trying to do the same thing, which I do not. I appreciate his criticism and I may tell him that I do not consider it as being at all personal.

Mr. WOODSWORTH: It did not seem to me that the minister's argument was relevant to my question. If I understood him, he suggested that the Canadian Pacific was given preference because of its faster services. My first answer is that the railway commission has a great deal to do with determining the rate of travel over the different lines, and I know in one or two cases it has been extremely difficult for the Canadian National to obtain permission to give as fast a transcontinental service as the Canadian Pacific.

Mr. ELLIOTT (Middlesex): I do not think the hon. member will accuse me or any officials of the department of wanting to give preference to a privately owned railway as against a publicly owned railway. I am not pretending to be a railway timetable, but the frequency of service is taken into consideration by the department. The frequency of service is considered quite as much as the speed of the trains; in fact I do not believe there is a great deal of difference in the actual speed per mile.

Mr. VENIOT: I should like to ask the hon. member for Winnipeg North Centre a question. If a Canadian Pacific train left Vancouver for the east at eight in the morning and a Canadian National train left at nine, on which train would he want his mail to come?

Mr. STIRLING: It would depend upon when he wrote it.

Mr. WOODSWORTH: Someone has suggesed it would depend on when I wrote the letter.

Mr. ELLIOTT (Middlesex): That is true.

Mr. VENIOT: My hon. friend is trying to quibble, something which he was accusing us on this side of doing. Let us assume the letter has been written and is ready to mail; if the Canadian Pacific leaves at eight in the morning and the Canadian National at nine, on which train would he want his mail to come?

Mr. WOODSWORTH: One can give instances of that kind. I can give a little incident. Once I was about to board a Canadian National train which was to leave Vancouver. I tried to post a letter on the train and I was told it could not be done, that it would have to be taken over to the general post office, transported from there to the Canadian Pacific station and leave on a Canadian Pacific train which left twenty-four hours later. In that instance I preferred to have it go Canadian National.

Mr. SPENCE: I think we have had this afternoon a demonstration of the fact that the system by which the Post Office Department is conducted is an antiquated one. I am not going to condemn either the present or the preceding Postmaster General, because they have all proceeded along the same line. It is antiquated, no matter how it originated, and it is time for a change. We do not know to-day whether the Post Office Department makes a million or loses ten millions; the only answer we can get from any postmaster general is that the total revenue is so much, because as to expenditures he knows nothing. What we need in Canada is a first class, up to date Public Works department. It is the largest spending department we have and there should be in it an efficient accounting system to keep track of all the work done for the Post Office Department. To begin with, it supplies that department with buildings and charges no rent. It furnishes the buildings, supplies the engineers, caretakers, firemen, cleaning staff and does all that work at the instigation of some postmaster in a particular place such as Toronto. If he wants to spend ten thousand or fifteen thousand dollars tearing down a wall here or there, the Public Works department is charged with that work and the Post Office Department pays nothing. The whole system should be changed so that we might know whether the department was making or losing money. Each department should stand on its own feet; that is the way business is done, and there would be no difficulty at all if such a system were carried out. If the Public Works department builds a post office in Toronto, say, costing $600,000, or a customs house, the Post Office Department or the department for which the work is done should be charged at the rate of three or four per cent, just as I would be charged if I were occupying space in some store. That is the system followed by Eaton's and Simpson's in Toronto, and there is no reason why it could not be followed here. There is no reason in the world why the Postmaster General should not be in a position to answer one intelligent question—and as I say it is not his fault. The sooner we change the system the better it will be for the Post Office Department. That department should get down to a business basis and let us know whether it is making or losing money. Hundreds of thousands of dollars have been spent in Toronto alone for the Post Office Department for which that department does not pay a red cent.

An observation was made about the salary which the director was receiving—they have a new name for the postmaster in Toronto. When Mr. Lemon was there he received seven or eight thousand a year as postmaster, and now we have a distinguished gentleman acting as superintendent. His official position is postmaster, and he has the superintendent's job, and I am told that he gets $4,771; yet the man is capable of making much more than that in a city like Toronto. I am not advocating high salaries because I cannot make any high salary myself—

Some hon. MEMBERS: Oh, oh.

Mr. SPENCE: —but I do think that everyone should be treated fairly. My advice to the government is this: Never mind the past; forget about it altogether and get down to hardpan. Start a new system so that we shall know what we are doing and find out whether we are making or losing money in the Post Office Department. The Post Office Department can pay for aeroplanes without going to the Public Works department; they can subsidize a steamship company themselves and where the Public Works department does work for them they should be charged with it, and that money deducted from their total revenue. If that were done, parliament would know what their net revenue was. I venture to say that they have not had any revenue in the last ten years but are thousands of dollars behind. But you cannot get any information.

Mr. REID: With regard to the remarks of the hon. member for Winnipeg North Centre (Mr. Woodsworth), and in order that no false impression may go out, I might make a few observations as one who has delved into this matter. The information I have regarding the speed of the Canadian

National is that it would clip about ten hours off the running time from Vancouver to Ottawa were it allowed to do so. I myself have left Ottawa on a train ten hours late and arrived on time in New Westminster. I have looked into the question of the carriage of mail, particularly on the Canadian Pacific, and the information I have—I should like the minister to check it up—is that the mail cars are largely in the hands of the Canadian Pacific, the Canadian National not having any mail cars operating from the coast. Like the hon. member for Winnipeg North Centre, I should like to see the Canadian National patronized, and when it comes to speed I do not think that there are any trains that can beat the Canadian National from Ottawa to Vancouver.

Mr. FINN: What has been the situation since Sir Henry Thornton retired from the presidency of the Canadian National and especially since the passing by the late administration of the Canadian National-Canadian Pacific Act placing three trustees in charge, the chairman of which is Mr. Fullerton, whom I know very well, who lived in the city of Halifax and was a graduate of Dalhousie and a partner of the late Sydney Harrington, a queen's counsel of that day, one of the most outstanding members of the legal profession in Canada. The present condition, over which unfortunately this government has absolutely no control, is attributable to the late government, who saw fit to appoint these three trustees for ten years. They are removable only by an address of both houses and on specific charges, and that is why to-day the Canadian National is going behind and therefore protracting the running time of its trains. The Ocean Limited used to make the run from Halifax to Montreal in twenty-four hours and the Maritime Express made the run to Montreal in twenty-seven hours, leaving in the afternoon. I came up on that train the other day and to my amazement I found that the running time was thirty-six hours, as fixed by the special management under Mr. Fullerton and his associates, who do not know anything about the running of trains but can argue a case.

Mr. SPENCE: We are talking about post offices.

Mr. FINN: Hon. gentlemen opposite, now that they are relieved of responsibility, do not hesitate to suggest reforms. I wonder why the hon. member for Parkdale (Mr. Spence), who sat in the house when his party was on this side, did not induce the government of those days to bring about the reforms he is suggesting to-day. My hon. friends opposite are pursuing a different method now from that which they followed when they were on the treasury benches. The Postmaster General referred a moment ago to the Atlantic service. I remember that in the days when Sir Henry Thornton was in control he made a running agreement with the Cunard line and the White Star line, whereby they carried freight which was handed over to the Canadian National system. Trade grew by leaps and bounds, and with it came the development of the port of Halifax, which did not interfere with the great sister port of Saint John, served by the Canadian Pacific railway. To-day what are the conditions? The Canadian Pacific boats, the Duchess boats and the Mont boats, running from Liverpool to Halifax with mail, hand it over to whom? To the Canadian National railway through to Montreal? No. That mail is handed over to the Canadian Pacific railway. These ships land only their passengers and mail, which are taken on the Canadian Pacific line with a Canadian National engine hauling the train. The ships go to Saint John to unload their freight, and then return to Halifax to pick up freight which, as it comes over the Canadian National system to Halifax as the last port of departure, they could not get otherwise. Now these new 10,000 ton freight boats drop into Halifax to land freight for the maritime provinces or for Nova Scotia; they then go round to Saint John and spend a week, and come back to Halifax to pick up freight. It seems to me that since these Canadian Pacific and Canadian National acts, legislation to repeal which has been introduced by the Minister of Railways, have been on the statute books, the Canadian National railway has been put in the lion's jaws and they are crushing it inch by inch. There is no better evidence of that fact than the propaganda which is received every day from Montreal, emanating from get-rich-quick gentlemen on a street that is very well known, St. James street, and from Wall street in the city of New York.

That is the condition that prevails to-day. Not even the Minister of Railways has power

so much as to order a truck, let alone a train, to be moved. It is a condition that is not the responsibility of the present government. Hon. gentlemen sitting opposite saw to it, in so far as they were able, that the hands of this government were tied, and until we can get legislation through to take off these Tory steel handcuffs, the Canadian National Railways will never have an opportunity to show a profit. More than that it may be necessary to ask certain officials to do what hon. gentlemen opposite asked Sir Henry Thornton to do, that is kindly to get out. Sir Henry Thornton was one of the greatest assets this country ever had. He took all the railway systems that belonged to the people of Canada, babies that were bought and paid for at a high price by the party to which hon. gentlemen sitting oposite belong, in the days of Sir Robert Borden and of the Right Hon. Arthur Meighen, now leader of the Tory party in the Senate. It ill becomes hon. gentlemen opposite to criticize the Post Office Department as it is being operated by the present able Postmaster General. The people of Canada understand that the sole object of the Conservative party as led by the present leader of the opposition and the ex-ministers who sit in association with him is to embarrass the government in every move it makes to try to carry into effect the will of the people and to make this parliament truly democratic. The Liberal party stands for democracy. Democracy means individual liberty, and I stand with my party in support of that principle.

Mr. THOMPSON: I should like to have an explanation of the amounts being voted to two towns in the county of Lanark, one item to Perth and the other to Smiths Falls. The town of Perth has a revenue much larger than that of the town of Smiths Falls, yet I see that the amount of money being voted for Perth is only $7,500, while the amount for Smiths Falls is $15,480, or just double.

Mr. ELLIOTT (Middlesex): It is proposed to change the status of the Perth office from revenue to staff basis, grade three. Six positions are required. They amount to $7,020. The authority for the change in the status and the creation of the positions was given under order in council dated September 16, 1935. There are also two statutory increases of $120, making $240, and four statutory increases of $60. This makes up the amount of $7,500.

Mr. DOUGLAS: Is it correct that the post office boxes which are installed are charged to the Department of Public Works? That information has been given to me.

Mr. ELLIOTT (Middlesex): That is the case in all public buildings, or what we call public buildings, where the postmaster is not supplying his own building or his own office.

Mr. DOUGLAS: To whom does the revenue from these post offices go? Does it go to the Public Works department. to which the item is charged, or to the Post Office Department?

Mr. ELLIOTT (Middlesex): It goes to the Post Office Department.

Mr. DOUGLAS: But the post office boxes themselves are charged to the Department of Public Works?

Mr. ELLIOTT (Middlesex): Quite so, just the same as the buildings.

Mr. GREEN: Does this grant provide for a trans-Canada air mail service?

Mr. ELLIOTT (Middlesex): I think a question covering that was asked by the member for Regina, and the answer appears in yesterday's Hansard at page 2078.

Mr. GREEN: Does not this question of an air mail service come under this particular item?

Mr. ELLIOTT (Middlesex): There is no appropriation in this item for a trans-Canada air mail service.

Sir GEORGE PERLEY: It could be discussed on the next part of the item, mail services by air.

Mr. ELLIOTT (Middlesex): Yes. However I do not want to limit discussion. It is a lump sum, and we are not following it definitely unless it is thought that progress would be facilitated by doing so.

Mr. GREEN: Then is it in order for me to go ahead?

The CHAIRMAN (Mr. Bradette): Yes, go ahead.

Mr. ELLIOTT (Middlesex): Go right ahead.

Mr. GREEN: May I ask the Postmaster General what air mail routes are being operated at the present time?

Mr. ELLIOTT (Middlesex): There are twenty-seven routes now being operated as follows:

Montreal-Albany
Winnipeg-Pembina
Moncton-Charlottetown (via) Summerside
Vancouver-Victoria
Vancouver-Seattle
Fort MacMurray-Aklavik
Fort Resolution-Cameron Bay (via) Rae
Cameron Bay-Coppermine
Fort Chipewyan-Fond du Lac
Fort Chipewyan-Goldfields
Prince Albert-Ile a la Crosse-Lac la Ronge
Winnipeg-God's Lake
Norway House-Cross Lake
Winnipeg-Central Manitoba Mining Area
Kenora-Red Lake and McKenzie Island
Kenora-Cole
Sioux Lookout-Red Lake
Sioux Lookout-Casummit Lake
Kenora-Whitefish Bay
Sioux Lookout-Pickle Crow
Rouyn-Kewagama
Amos-Sisco-Val d'Or and Bourlanaque
Montreal-Rimouski
Atlin-Telegraph Creek (winter only)
Leamington-Pelee Island (winter only)
Quebec-Sept Iles (winter only)
Sept Iles-Natashquan (winter only)
Havre St. Pierre-Port Menier (winter only)
Charlottetown-Magdalen Islands (winter only)
Special Flights.

Mr. GREEN: The majority of these routes are in the mining areas of northern Canada?

Mr. ELLIOTT (Middlesex): Yes, to a large extent.

Mr. GREEN: May I ask whether this mail is carried by air at a profit or at a loss to the post office?

Mr. ELLIOTT (Middlesex): My information is that the routes I have named, which are the only ones now in operation, are carried on at a profit.

Mr. GOLDING: How can you tell?

Mr. ELLIOTT (Middlesex): From the revenue and the expenditures.

Mr. GREEN: May I ask when the minister intends to inaugurate a trans-Canada air mail service?

Mr. ELLIOTT (Middlesex): This is a matter that is not only under consideration now but has been under consideration for some time. I cannot give any statement except that it is under consideration.

Mr. GREEN: Could the minister give us any idea as to the year in which it will be put into operation, and has he any idea as to the cost?

Mr. ELLIOTT (Middlesex): I know my hon. friend will not press his question when I tell him that it is a matter of government policy, and the conclusion can be disclosed only after it has been definitely arrived at.

Mr. GREEN: How much mail would have to be carried on the trans-Canada route in order to make the operation profitable to the post office?

Mr. ELLIOTT (Middlesex): It is pretty difficult to answer that; it all depends upon the charge that is made.

Mr. GREEN: At the present rate of six cents for a letter?

Mr. ELLIOTT (Middlesex): Well, that could be estimated only in view of the probable cost of operation.

Mr. GREEN: Has the department no figures at all as to the probable cost of operation? Apparently this matter has been considered for some time, and surely the department has some idea as to what the cost would be.

Mr. ELLIOTT (Middlesex): Estimates have been furnished, but I do not have them here. The services have not been started and of course nothing definite has been done in that connection. If my hon. friend wished me to do so I could obtain for him some idea of the estimates that were given, but I do not have them with me, since we are dealing only with the services actually in operation.

Mr. GREEN: I should be glad if the minister would do that, because I think this development of aviation is vital to the growth of Canada. The department must have some figures as a result of the extensive air mail operations we are carrying on at the present time in northern Canada.

Mr. VENIOT: May I be permitted to say a word in connection with the trans-Canada air mail service? When I had the honour of being Postmaster General in a

former government I do not think I am claiming too much credit when I say I attempted to inaugurate that service. We had a survey made from Halifax to Vancouver, and we did start a tentative trans-Canada air mail service. At that time the Halifax to Montreal section did not pay. It became a question of educating the people, particularly the business men, of the maritime provinces, and I regret to say that the Post Office Department did not get the enthusiastic support it should have received from the business sections of the maritime provinces for the transportation of mail from Halifax to Montreal by way of Moncton, Saint John and Quebec city. We kept it up for a year and a half in the hope that we might receive that encouragement that we felt was due us, but finally that section was abandoned. Then we attempted to organize the section from Montreal to Winnipeg, by way of Sturgeon Falls, by rail at night and by airplane to Winnipeg for distribution the next afternoon about one o'clock. We also had investigations made in order to try to find the most feasible route through the mountains. If I mistake not, in connection with the trans-Canada air service from Halifax to Vancouver, if we could have secured an average load of six hundred pounds from Halifax through to Vancouver at the rate then in existence, five cents per letter—

Mr. GREEN: Was that six hundred pounds per day?

Mr. VENIOT: Yes, six hundred pounds per day each way. At the rate of five cents per letter it was estimated that we could make it pay on that basis. In a pound of mail there are about fifty or fifty-five ordinary letters; in many cases it runs to sixty letters, which at the five cent rate would be $3 per pound for air mail service. Now the rate is six cents per letter, and I feel satisfied that if a proper survey of the trans-Canada air service was made it could be put into operation. I think the people now have been educated to use such a service; they see the benefit of it. In its initial stages they did not anticipate what that benefit would be, but now they appreciate it and I think such a service would be a success. A great deal of air mail was carried up to 1930.

I do not wish to take up too much of the time of the committee, Mr. Chairman, but let me point out the advantages of the air mail service. In 1927 and 1928, in the Mackenzie valley, and as far north inside the arctic circle as Aklavik, it cost the Post Office Department $41,000 for a mail service once each month in the summer time and once every two months in the winter time. When we called for tenders inaugurating the air mail service into the Mackenzie valley from the head of steel we got the service for only $5,000 more than the service which had been given, and rendered it fortnightly.

At that time we inaugurated an air mail service between Montreal and Albany which developed into a paying proposition. In order to give Toronto a footing equal to that of Montreal we attempted to inaugurate an air mail service between Toronto and New York, and there again between 1928 and 1930 the Post Office Department did not get from the business men of the large city of Toronto the encouragement the department deserved for the advances it was making in air mail delivery. That project had to be abandoned after a time; I believe it was abandoned by the late government, and I am not criticizing them for taking that action.

I heard a remark which, I think, should not be allowed to go unchallenged. Whether it referred to the internal administration of the Post Office Department or to the postal service in general, I do not know, but I interpreted it as referring to the Post Office Department in general. The statement was made that we had the most antiquated service known. Let me point out—

An hon. MEMBER: Who made it?

Mr. VENIOT: It was made by the hon. member for Winnipeg North.

Mr. HEAPS: No, I did not refer to an antiquated service.

Mr. VENIOT: No, it was the other representative from Winnipeg.

Mr. WOODSWORTH: I did not say anything about antiquated services.

Mr. VENIOT: You did not?

Mr. WOODSWORTH: No.

Mr. VENIOT: Then, I cannot understand English.

Mr. SPENCE: I am the victim.

Mr. ELLIOTT (Middlesex): He started it.

Mr. VENIOT: All right, I stand corrected. Let me say that I am not claiming credit for the Liberal party when in office or for any steps which may have been taken when I may have been in office as Postmaster General, but I am claiming credit for the men in the service. I want to say here and now that the mail service, and especially the outside service handled and administered from head office—

Mr. SPENCE: Would the hon. member allow me to interject one word? When I referred to antiquated service I made no condemnation of the men working in the service. The service is certainly good; there is no doubt of that. I was speaking about the economy of the department; that is the respect in which I say that the service is antiquated.

Mr. VENIOT: I want to say on behalf of the men carrying on the administrative work—

Mr. SPENCE: I praised the men, and the hon. member cannot do any more than I did.

Mr. VENIOT: I am glad I have driven the hon. member into saying that.

Mr. SPENCE: No.

Mr. VENIOT: Otherwise we would not have heard a word from him.

Mr. SPENCE: Yes, you would.

Mr. VENIOT: He did not say it at the time I was Postmaster General.

Mr. SPENCE: I said nothing at all then.

Mr. VENIOT: He never gave credit even to the employees in the service. Let me say that the postal service carried on in Canada is second to none in the whole world. I am not talking about the financial end, or the economy of the thing—

Mr. SPENCE: That is what I was talking about.

Mr. VENIOT: The postal service in Canada, both air mail and ordinary mail, is second to none in the world. In 1928 we had a request from France to allow one of our officials to go over there and explain to them the system we were carrying on, so that they could amend theirs to meet existing conditions. They accepted our way of doing things. In 1929 the assistant Postmaster General at Washington came here to consult with one of the officials who is now sitting in front of me as to the best method of carrying on air mail delivery in the United States. They changed their system, under which they had suffered enormous deficits every year, and adopted the Canadian system.



May I say a word on behalf of those with whom I worked at the time I held the office of Postmaster General, and may I pay due credit to those men who under all governments in years gone by have given and even at the present time are giving their attention to the perfection of the postal service in Canada, and have brought it to its present state of development. It stands second to none in the world.

Mr. SPENCE: It is only fair to permit me to say a word, because this has been put over me several times in the House of Commons. It was put over me when I was criticizing the experimental farm. I have not criticized the service given by the Postmaster General. I talked about an antiquated system, the way business is done. The service of the men is perfect, and I do not want my hon. friend to think I am criticizing it. We are getting the best service the Post Office Department can give. I have to pay the present Postmaster General a compliment by saying that I believe he has a vision of the future better than some who think they have it, and he will get even a better service. He may adopt the system I have asked him to adopt, and may get a proper accounting system, get down to business and do business as business should be done.

Mr. DUPUIS: You cannot divorce a man from the service.

Sir EUGENE FISET: I have been informed by an official of the Post Office Department that the salary of the postmaster in the town of Mont Joli in Rimouski is over $4,000 a year. If so, I suppose it is a post office which falls under the control of the civil service commission, as the salary comes above the $3,000 mark. Is there a rule of age, so far as this particular postmaster is concerned? Surely, if he comes under the control of the civil service commission, he should be retired at the age of sixty-five years. May I inform the minister that this postmaster is seventy-five years old, and if the minister will take the trouble to inquire in his own department I believe he will find there are special reasons why this office should be reclassified and a new appointment made.

Mr. ELLIOTT (Middlesex): First of all may I say a word to the hon. member for Vancouver South who, I believe did not get the information he wanted in connection with air service. I do not think it advisable while in committee to go into the present condition of affairs. I am not in a position to make an announcement as to what will take place, because that involves a question of government policy, but I would say to the hon. member that if he would care to come and see me I would be pleased to discuss the matter with him and give him or any other member of the committee estimates as to the cost of the service.

To the hon. members for Parkdale and Gloucester may I say that I did not understand the hon. member for Parkdale to cast any reflection upon the people working in the service, or most certainly I would have said something in reply. I believe there has been a misunderstanding between the two hon. gentlemen. It is my understanding that the hon. member for Parkdale was criticizing the methods and not criticizing the employees.

Mr. SPENCE: The minister is right.

Mr. ELLIOTT (Middlesex): As the minister who is trying to administer the department and as one who realizes that he cannot learn all about it in a few months, I wish to pay tribute to the men who have occupied that position in the past. We have had a great many excellent postmasters-general and I know that in most cases they have done their very best and have given to the public a service that has not always been thoroughly understood or thoroughly appreciated.

There is a good deal to be said, I take it, for the view of the hon. member for Parkdale that this should be a paying service; that we should charge enough to make the various branches of the service pay their way. If ever there was a time in the history of this country when that was absolutely necessary this is that time. I assure my hon. friend and other members of the committee that in every branch of the service we are endeavouring to see what can be done that the charges we impose will more nearly meet the expenses which we are forced to incur.

In answer to my hon. friend from Rimouski (Sir Eugène Fiset) with regard to postmasters under the civil service act, sixty-five years is the age limit, I understand.

Sir EUGENE FISET: At which they can stay in?

Mr. ELLIOTT (Middlesex): There is not, I understand, an age limit for retirement for revenue postmasters; each case stands on its own merits.

Sir EUGENE FISET: Does the minister realize what he is saying? I said a moment ago that this post office is under the control of the civil service commission. The minister need not consult his officials because I know as much about the matter as they do. I would like this post office to be classified through the civil service commision, and once this classification has been made I think the postmaster who is above seventy-five years of age should be retired. If the minister wants a precedent I will give him one. In 1930 the post office at Rimouski was classified by the civil service commission and salaries fixed for the postmaster and his assistant, and the postmaster was retired. I want exactly the same precedence to be followed with regard to the Mont Joli post office.

Mr. HEAPS: Is the present postmaster Liberal or Conservative?

Sir EUGENE FISET: I have not the faintest idea. I know he is over age and is no good.

Mr. ELLIOTT (Middlesex): I will look into the matter and will see what can be done.

Mr. WILTON: The Postmaster General made reference some time ago to an expenditure of some $18,000 as an indemnity against loss on postal packages. I am assuming that this refers to packages which are covered by insurance or special postage. If so, would the minister say whether a record is kept of the amount of money which the department receives from insurance or special postage on parcels as against this $18,000 which has been paid out in claims. Is there a census or check-up made in that connection to ascertain the predominating cause of this miscarriage of mail? Is it due to misdirection or postal inefficiency or what?

Mr. ELLIOTT (Middlesex): The regulations provide for indemnity for loss of or damage to or abstraction from parcels that are insured. The amount of the indemnity is governed by the fee paid, with the provision that in no circumstances may the amount be in excess of the actual value of the loss or damage incurred. The claims are paid out of the general funds except where malfeasance or misfeasance is shown, when the employee responsible is required to make good the amount or such portion of it as is deemed advisable under the circumstances, the balance being taken from the guarantee fund. On page 13 of the report of the Postmaster General for the year ended

March 31, 1935, all the figures are given. The approximate number of insured parcels mailed was 14,540,282; number of claims adjusted, 6,673; temporary adjustments, 960; claims paid, 5,713; total disbursements, $23,425.33.

Mr. WILTON: Is a bookkeeping record kept of the amount received by the Post Office Department from this insurance service? What I am trying to get at is this: While you may pay out $18,000 or $20,000 in claims, what amount do you receive from insured and special postage? Is a separate account kept of the revenue received from insurance and special postage letters? Is the matter on an actuarial basis?

Mr. ELLIOTT (Middlesex): I have not the information before me, but if we have it in the department I shall endeavour to supply it.

Mr. WOODSWORTH: There are two criticisms of the service which have been given me by certain business people. One is in regard to delay in delivering letters owing to holidays. In many places now Saturday is a half holiday; there is no delivery on Sunday, of course, and it is becoming the practice on a number of occasions to give a holiday on Monday, which means that the mail is not delivered for two and a half and sometimes three days. In the case of urgent business or sickness or anything of that kind that is a very long delay. Personally I do not want to see the men deprived of their holidays, but I think it might be possible by a slight increase of staff to arrange that there would not be that long delay.

Mr. ELLIOTT (Middlesex): I quite agree with what my hon. friend has said. It is a difficult matter to weigh accurately against the inconvenience that may be caused by delay in delivering the mail the convenience of those who are working at its disposition. But complaints have been very few. Difficulty does arise in cases like armistice day when it falls on a Monday. There is the short day on Saturday, and then Sunday. Or take Good Friday, followed by a short day Saturday, and then Sunday and Easter Monday. We try to keep sufficient staff on during such holidays to give a reasonable service. We do not attempt to provide anything like the ordinary service, but we do provide a reasonable service. The question arises as to whether the ordinary employees should be brought back and paid overtime. At the present time it does not seem to be easy to pay overtime in connection with these matters, but it is possible we shall have to consider a more strict insistence upon employees coming back on holidays such as Good Friday, Easter Monday and so on.



Mr. WOODSWORTH: I had no intention of increasing the work of the employees, but I think in these cases the public is entitled to service. In the larger places it should be possible to have a reserve staff and it should not require a great number of people to give the service. Very frequently reserve teachers are carried on the staffs of our schools in case of sickness among the regular teachers, and possibly the same method could be followed here. Another question: Does the department use the different bus lines for the delivery of mail? I think we have all had some experience with the delivery of newspapers by buses. Very often these newspapers arrive at their destination some hours before the regular mail. Unless the department keeps up with the regularly accepted means of transit, it is going to be left behind.

Mr. ISNOR: What does the hon. member mean by bus lines?

Mr. WOODSWORTH: I am referring to the passenger buses that are running all over the country. If the newspapers can make use of these buses for delivery purposes, I see no reason why the department should not do likewise. I have seen cases where mails have arrived in surburban districts two or three days after newspapers had been delivered by buses.

Mr. ELLIOTT (Middlesex): The only bus lines that can be utilized to advantage are those which run their buses on schedule. Such lines are utilized under contract where an improvement in the service can be brought about.

Mr. WOODSWORTH: For first class mail?

Mr. ELLIOTT (Middlesex): For whatever mail is necessary to be carried between the particular points. It may not all be first class mail.

Mr. GREEN: What time would be necessary to carry mail by air from Montreal to Vancouver?

Mr. ELLIOTT (Middlesex): The only answer I can give is not much of an answer; it all depends upon the speed of the plane carrying the mail. It has been worked out at between eighteen to twenty hours.

Mr. GREEN: What additional time would be required to complete the service from Montreal to Halifax?

Mr. ELLIOTT (Middlesex): Five hours or perhaps a little more.

Mr. GREEN: I understand quite a lot of air mail is sent from Vancouver to eastern Canada through the United States. Has the minister any idea as to the quantity of air mail originating in Vancouver?

Mr. ELLIOTT (Middlesex): We have a service which runs from Vancouver to Seattle to connect with the United States air lines, but I have not the information as to what amount of air mail originates in Vancouver. That information is available and can be provided.

Mr. GREEN: What is the total cost per annum of the present air mail service?

Mr. ELLIOTT (Middlesex): The total cost of the twenty-seven routes is $267,738.

Mr. GREEN: Is that all by contract?

Mr. ELLIOTT (Middlesex): Practically all.

Sir GEORGE PERLEY: May I suggest to the minister that he place on Hansard the statement from which he is now reading? We would then have all the details available.

Mr. ELLIOTT (Middlesex): I shall be glad to.

Mr. GREEN: How many air miles are flown in the postal service?

Mr. ELLIOTT (Middlesex): I could give that for the different services but they do not seem to be totalled. That information appears on the statement which I will place on Hansard.

Mr. GREEN: Does that show the amount carried?

Mr. ELLIOTT (Middlesex): Yes, it gives the volume of mail carried. The total poundage carried is 1,126,321, but I do not seem to have the total number of miles flown. Rates of payment, duration of the agreements and other details appear in the statement which my right hon. friend has asked to be placed on Hansard. The statement follows:

AIR MAIL

| Name of Service | Contractor | Frequency | Distance (Round trips) |
|---|---|---|---|
| | | | Miles |
| 1. Montreal-Albany (southbound only)... | Canadian Colonial Airways, Ltd., Montreal, P.Q. | Daily except Sunday.... | 200 (one way only) |
| 2. Winnipeg-Pembina..... | Northwest Airlines Inc., St. Paul, Minn., U.S.A. | Daily..... | 132·8 |
| 3. Moncton-Charlottetown via Summerside. | Canadian Airways Limited, Montreal, P.Q. | Daily except Sunday.... | 200 |
| 4. Vancouver-Victoria..... | " " | " " .... | 122 |
| 5. Vancouver-Seattle..... | " " | " " .... | 244 |
| 6. Fort McMurray-Aklavik..... | " " | Varied (from 6 to 45 trips per annum). | 2,918 |
| 7. Fort Resolution-Cameron Bay via Rae | " " | 1 round trip per month.. | 856 |
| 8. Cameron Bay-Coppermine..... | " " | 2 round trips per annum. | 330 |
| 9. Fort Chipewyan-Fond du Lac..... | " " | 4 round trips per annum. | 300 |
| 10. Fort Chipewyan-Goldfields..... | " " | Monthly..... | 216 |
| 11. Prince Albert-Ile a la Crosse-Lac la Ronge. | " " | 1 round trip per week.... | 416 |
| 12. Winnipeg-Gods Lake..... | " " | 2 round trips per week... | approx. 800 |
| 13. Norway House-Cross Lake..... | " " | 2 round trips per month. | 88 |
| 14. Winnipeg-Central Manitoba Mining Area. | " " | 3 round trips per week... | 396 |
| 15. Kenora-Red Lake and Mackenzie Isld. | " " | 4 round trips per week.. | 210 |
| 16. Kenora-Cole..... | " " | 2 round trips per week.. | 200 |
| 17. Sioux Lookout-Red Lake..... | " " | 2 round trips per week.. | 230 |
| 18. Sioux Lookout-Casummit Lake..... | " " | 3 round trips per week.. | 212 |
| 19. Kenora-Whitefish Bay..... | " " | 1 round trip per week... | 80 |
| 20. Sioux Lookout-Pickle Crow..... | " " | 3 round trips per week.. | 250 |
| 21. Rouyn-Kewagama..... | General Airways Limited, Toronto, Ont. | Semi-weekly and tri-weekly. | 88 |
| 22. Amos-Siscoe-Val d'Or and Bourlamaque. | " " | Daily except Sunday.... | 104 |
| 23. Montreal-Rimouski..... | Canadian Airways Limited. | 2 round trips per week.. | 619 |
| 24. Atlin-Telegraph Creek (winter only).. | Northern Airways Limited, Carcross, Y.T. | 10 round trips per season | 292 |
| 25. Leamington-Pelee Island (winter only) | Murray Aeronautical Corp., Ltd., Toronto, Ont. | Daily except Sunday.... | 44 |
| 26. Quebec-Sept Iles (winter only)..... | Canadian Airways Ltd. | 2 round trips per week.. | 678 |
| Sept Iles-Natashquan (winter only).... | " " | 1 round trip per week.... | 410 |
| Havre St. Pierre-Port Menier (winter only). | " " | 2 round trips per month. | 91 |
| 27. Charlottetown-Magdalen Islands (winter only). | " " | 1 round trip per week... | 212 |
| Special flights. | | | |

SERVICE

| Rate of payment | Duration of agreement | During calendar year 1935 | | Remarks |
|---|---|---|---|---|
| | | Volume of Mail carried | Annual cost | |
| | | pounds | $ cts. | |
| 90c. per mile | 4 year contract terminating 31-5-39. | 53,503 | 51,470 00 | |
| 40c " | Terminable at P.M.G's pleasure. | 15,235 | 29,082 19 | |
| $20,000.00 per annum (100% performance). | 4 year contract terminating 26-5-39. | 218,753 | 20,885 70 | Changed from "winter" to "all-year-round" service 27-5-35 (reduced rate). |
| 35c. per lb | Terminable at P.M.G's pleasure. | 653 | 228 55 | |
| 50c. per mile | 4 year contract terminating 30-9-39. | 4,717 | 8,113 00 | Inaugurated 1-10-35 |
| $45,000.00 per annum | Terminable at P.M.G's pleasure. | 67,520 | 45,000 00 | |
| Resolution-Rae 15c. per lb. Rae-Cameron Bay 35c. per lb. | " " | 14,801 | 6,481 45 | |
| 53c. per lb | " " | 1,868 | 990,04 | |
| 25c. " | " " | 1,216 | 292 25 | |
| 12½c. " | " " | 4,222 | 527 76 | Inaugurated 2-9-35. |
| 7c. " | 4 year contract terminating 31-5-39. | 21,437 | 2,416 11 | |
| 10c. " | Terminable at P.M.G's pleasure. | 76,449 | 7,644 90 | |
| 10c. " | " " | 8,345 | 509 70 | |
| 10c. " | " " | 108,999 | 10,899 90 | |
| 10c. " | " " | 64,366 | 6,436 60 | |
| 10c. " | " " | 1,493 | 149 30 | |
| 10c. " | " " | 47,381 | 4,736 70 | |
| 10c. " | " " | 20,965 | 2,096 50 | |
| 10c. " | " " | 8,590 | 859 00 | |
| 10c. " | " " | 20,111 | 2,011 10 | |
| $975.00 per annum—excess of 175 lbs. per round trip—10c. per lb. | " " | 12,273 | 1,083 70 | |
| 35c. per mile—excess of 700 lbs. per round trip at pro rata. | 4 year contract (not executed) terminating 31-10-39. | 199,269 | 12,478 54 | |
| $1.25 per mile mail (last year). | No arrangements for this year. | 39,390 | 23,400 03 | |
| $1,800.00 per season—excess 225 lbs. each way at pro rata. | 4 year contract terminating opening of navigation 1938. | 2,896 | 1,883 20 | |
| $20.00 per round trip—excess of 200 lbs. each way at pro rata. | 1-2-36 to opening of navigation 1936. | 16,145 | 2,820 16 | Service performed by National Air Transport from 13-12-35 to 12-1-36. W. J. E. Johnston from 13-1-36 to 31-1-36. |
| 65c. per mile | Terminable at P.M.G's pleasure. | 41,803 | 14,970 80 | |
| 65c. " | " " | 25,435 | 5,901 94 | |
| 65c. " | " " | 7,714 | 580 78 | |
| 80c. " | 4 year contract (not executed) terminating opening navigation 1939. | 11,309 | 2,204 80 | |
| | | 9,463 | 1,583 40 | |
| | | 1,126,321 | 267,738 10 | |

Mr. GREEN: Has the experience of the department been that passenger and freight traffic by air is promoted by the use of the air mail service?

Mr. ELLIOTT (Middlesex): My information is that it does increase the traffic.

Mr. DOUGLAS: I do not know that I am familiar enough with the terminology of the department to elicit the information I desire, but as I understand the matter, a small post office does not come under the civil service. That is to say, such a postmaster would hire whatever help he might require and operate on a commission basis.

Mr. ELLIOTT (Middlesex): That is correct. The post office with a revenue of $3,000 or under would not come under the civil service commission.

Mr. DOUGLAS: What would be the revenue of the post office at Weyburn, Saskatchewan?

Mr. ELLIOTT (Middlesex): For the year ended March 31, 1935, it was $22,496.50.

Mr. DOUGLAS: Post offices with a revenue of $3,000 do not come under the civil service commission.

Mr. ELLIOTT (Middlesex): No; all those above $3,000 do.

Mr. DOUGLAS: Well, the post office at Weyburn does not. I wonder why. It is in the same position as a small post office; the postmaster merely receives a commission and he hires the help. Why is it not under the commission?

Mr. ELLIOTT (Middlesex): It is under the commission in the matter of appointments. The $3,000 limit applies to the appointment of postmasters.

Mr. DOUGLAS: The postmaster at Weyburn may be appointed by the civil service commission but he hires the members of the staff and fixes their salaries. The office is not subject to the civil service commission. I submit that a post office with a revenue of $22,000 should be directly under the civil service commission.

Mr. ELLIOTT (Middlesex): That is quite arguable, I think. I cannot tell my hon. friend offhand the number of post offices with revenue approximating this amount that come under the commission.

Mr. DOUGLAS: Why is it that this post office is not under the commission?

[Mr. J. C. Elliott.]

Mr. ELLIOTT (Middlesex): Of course these offices are all inspected regularly. The reports are that the service in this particular post office is adequately performed by the present staff, and of course the service costs less than it would the other way.

Mr. BETTS: I am gratified at the statement of the Postmaster General that careful consideration is being given now to the trans-Canada air service. I was very much interested to hear the hon. member for Gloucester speak of the efforts he made to effect that. I know something at first hand of what he did, and I know that since his regime a good deal of water has flowed under the bridge, as I think the figures will show. Taking the air mail, there is an interesting comparison between the poundage carried in 1933 and in 1935. In 1933 there were 539,358 pounds, and in 1935, 1,126,084. The hon. member for Vancouver South spoke of the increase in passenger and other types of flying which very often accompanied the development of the air mail service. The figures I have taken from the report of the department of civil aviation really answer his question. For instance, although the air mail in pounds doubled between those two years, the amount of freight carried increased in a most extraordinary way. In 1933—these figures are for all Canada and of course go outside the mail service proper—there were carried by air 4,205,901 pounds of freight, and by 1935 that quantity had increased to 26,439,224, almost six times as much. The increase in passenger traffic between those two years was from 85,000 odd to 177,000 odd; and if the figures are followed right out one will find extraordinary increases all along the line, all of which goes to show that if you build up the air mail service you will build up the passenger and freight traffic.

As I understand the situation, it goes outside the department of the Postmaster General but it is something in which he is vitally interested, in his efforts to improve the postal service. I understand that there are under consideration plans which will involve the completion by March, 1937, of the ground services, airdromes, lighting and so on, from Winnipeg to Vancouver. Then, as to the prairie air services, which are in fairly good shape now but need reconditioning, parts having been abandoned—that is, the jump from Winnipeg east and west, to the mountains in the west and to the northern Ontario country in the east—that will involve a certain amount of installation of wireless in the mountainous sections and the completion of certain airdromes, and that work

is well under way. I understand—I should like to have corroboration of this—that by the spring of 1938 the scene will be all set for a coast to coast air mail service. I am told that the run can be made in one day with machines in their present state of development, and at the present rate of progress we can expect something much faster by 1938. At any rate, at the present time the run from Halifax to Vancouver, can be made in twenty-four hours, or so I understand.

I would urge on the minister and on the government the extreme desirability of expediting this program if it can possibly be done. The airplane to-day is to the railway train what the railway train was to the ox-cart one hundred years ago, and there never was a country on the face of the earth that needed a properly developed air service from coast to coast as this country does. It will do more to weld the west and the east together than anything else; and although, as the hon. member for Gloucester said, back in his day there was a certain degree of hesitancy in taking advantage of this service, I think that has been very much overcome. I believe the business world is more than ready for a daily service from coast to coast. I am convinced that it will grow from an air mail service to a modern passenger service. Of course air transportation as far as passengers are concerned is not a future possibility but a present actuality. One is far safer in the air on any standard line than on a highway in a motor car, no matter how good your driver on the highway may be; and one is very nearly as safe—I think the figures will show that one is actually as safe —flying with Imperial Airways or Pan-American Airways as one is in a train.

This country, because of its geographical situation, needs an air service as much as it needs anything. Consider also the future of the young people—young men and even young women—who have been learning to fly and who would be employed should the service be adequately developed. I know something about that at first hand because I had the honour to serve for some years on the board of directors of the London Flying Club, and for one year as its president, and I know the sacrifices that are being made by young Canadians in learning this new science. Last year London had the honour to be first in this respect in the dominion; we had ninety-one young pilots under instruction and we qualified seventeen. These young men are not the gilded youth of the town; most of them work for their living. They will come to the club and use the money they earn to take, perhaps, one hour's instruction. You will not see them again for perhaps a month; they will be working and saving; then they will come back, and eventually they will qualify. That is happening right across the dominion, and with very little government assistance. A few years ago the system was that when a flying club acquired a plane the department would provide another plane equally good. That arrangement was done away with, and the present system is that the Department of National Defence will give one new plane every three years to a club which complies with certain conditions. If you have ever tried to teach young men to fly you will soon realize that one plane every three years does not go very far, because planes are fragile, and this means that these clubs have scraped along through the efforts of their members and of public-spirited citizens. That spirit has been displayed by flying clubs right across Canada, and justifies the Post Office, National Defence and every other department in getting behind this work, because the men in the ranks, if I may put it in that way, have done their part and the government can and, I think, should do more. I believe I may say without offence that we had during the war the finest pilots in the world. We still have the same type of young men. They are making sacrifices to be allowed to take their part in this great means of transportation. Anything that the postmaster general can do along these lines will have my most hearty cooperation. I wish him Godspeed with this work.

Mr. THOMPSON: Does the item under consideration contain any appropriation for rural mail deliveries?

Mr. ELLIOTT (Middlesex): If my hon. friend will look at the item under mail service he will notice "mail service by ordinary land conveyance, including rural mail delivery, $6,200,000."

Mr. THOMPSON: I wish to protest against the present method of employing rural mail carriers. It is nothing less than a shame to ask people to tender for these positions and have them competing against each other with the understanding that the lowest tender will be accepted. That is the case at the present time, and it means that the department always has a man drawing the mail who has put the lowest value upon his own services. Why should this be when every other officer or employee of the department is appointed by the civil service commission? Take the caretaker who sweeps the floor and dusts and generally looks after a post office. A

salary is set, applications are invited, and the civil service commission selects from among the applicants one who, they consider, is the best man. But when it comes to choosing a farmer to be employed on the rural mail the department says: Go to it, boys, we will give it to whoever will do the job the cheapest. I maintain that every rural route should be carefully gone over. Some are worth more remuneration than others. Take a rural route along a highway where the snow is ploughed off in the winter time so that you can run a car. The service could be done more cheaply on that route than along a back-country road. A fair estimate of the cost per mile of running the rural routes should be placed upon each individual route, say $30, $40 or $50 a mile, as the case may be, for so many miles. Then let the department apply for contractors to carry the mail and have the civil service commission select a man who, they feel, is the best man to do it. To-day we are not getting the best class of men because we always take the lowest tenderer, the man who places the lowest value upon his own services. Many of these people are carrying mail to-day for less than it takes to feed their horses. That is absolutely wrong. I brought this point to the attention of the Postmaster General and of the Minister of Justice in the late government, and their answer was that at that time the finances of the country were not in a position to carry an extra burden. But I say that it is absolutely unfair to expect the rural people to be employed in this way and to make a discrimination against them in comparison with other employees of the department. I know the minister will realize the position and I ask him to take it into his serious consideration. I believe that the country at large is of the opinion that an injustice is being done under the present system of awarding rural mail contracts.

Mr. DOUGLAS: I should like to revert to my former question; but does the minister wish to answer the previous speaker's question?

Mr. ELLIOTT (Middlesex): A great many people entertain somewhat the same idea as has been expressed by the hon. member for Lanark with regard to rural mail carriers' remuneration. I cannot agree with him that this is something that should be left to the civil service commission, any more than I would agree that contracts for the erection of a building, which are now let by tender, should be placed under that commission. I think exactly the same principle applies to both. Unfortunately conditions in the country to-day are such that the tenders are very low. I regret that they are as low as they are, but that is because they are comparable with what men in the rural parts of Canada are receiving for similar services. I would say to my hon. friend that I know of no rural mail contract to-day which you would not be able to get many farmers in the district to carry on for the amount we are now paying.

Then my hon. friend suggested that we should set a minimum rate. I regret to say that these men obviously feel it is in their own best interests to carry the mail at the amounts of their tenders, and surely no man can complain very much if he gets the work at the price for which he offers to do it. My hon. friend knows what would happen in the rural districts to-day if legislation were enacted providing a rate for rural mail delivery out of all proportion to the amounts paid other people performing similar services in the district. Let me give a case in point. Tenders were called for not long ago in connection with a route for which, in the old days, there were usually six or eight applicants. In this instance forty-two tenders were sent in, many of them from the best farmers of that community. That contract was let for much less than the amount of the previous contract. As a matter of fact the highest tender was well below the amount of the former contract. But let me point out the great difficulty in saying that there should be a minimum amount per mile, and that contracts should not be let for smaller amounts. There may be just as much difference between the value per mile of two different mail routes as between the horses that are used to deliver the mail. There is a great difference in conditions in this country. In some parts we have snow for only a short time while in others we have snow for a much greater length of time. I appreciate my hon. friend's interest in the matter, and it is a question to which a great deal of consideration has been given by the department, but I do not see how we can devise any means that will give the people interested a fairer opportunity than they have at the present time, if the contracts are let fairly.

Mr. THOMPSON: I cannot follow the minister's argument when he compares a rural mail contract with the contract for a public building. There is no comparison whatever. I venture to suggest that if the position occupied by the minister to-day were put up for tender many men would offer to do it for less.

Mr. ELLIOTT (Middlesex): Or my hon. friend's position.

Mr. THOMPSON: Yes, or my own position. I ask the minister if he thinks this system is fair, at present when times are hard and farmers are trying to beat each other for these little jobs, taking them on for much less than they are worth. I know of two rural mail routes, with deliveries three times a week, which were tendered for last winter at the rate of eighty-seven cents a day. I said to the man, "Why, you are foolish. Why do you do it?" He replied, "Well, I am hard up. I have a boy at home and we have a horse there, and he can make that eighty-seven cents a day. It will be that much money coming in." I say it is absolutely wrong that people in this position should be asked to tender for these jobs. I agree with the minister when he says that different routes should command different prices. Some routes are much more difficult; road conditions vary, but an estimate could be made of the fair value per mile for any particular route. Tenders could be invited, and then either the minister or the civil service commission could select the very best man from among the applicants. To-day the lowest tender is accepted, which is the tender of the man who puts the lowest premium on his own services.

Mr. ELLIOTT (Middlesex): There is just one word I should like to say with regard to a previous remark made by my hon. friend, though I am anxious to make some progress with my estimates. If my hon. friend thinks we are not getting at the present time a good service from the rural mail carriers he is under an erroneous impression, because my officials tell me that at this time, as a general rule, these men are rendering excellent service.

Mr. BOULANGER: I want to say that I am in agreement with most of what has been said by the hon. member for Lanark in regard to these rural mail men. It is evident that the system now in existence is illogical and unjust. The government should set an example. We are trying to force those in industry and trade to pay their employees fair wages, and we are trying to stamp out cut-throat competition. The government should set an example by paying a decent remuneration to those who are in the service of the state, and by stamping out cut-throat competition among those who desire jobs or positions with the government. The trouble in regard to mail contracts is that very often people tender when they have no idea whatever of the value of the service. They may not have the remotest idea of what the work is worth, so they put in ridiculously low tenders and under the act the Postmaster General is bound to award the contract to the lowest tenderer, even though it may be absolutely out of proportion to the amount of work involved and the service to be rendered. I have been told that in days gone by it was possible to make some arrangement to avoid, in some measure, giving contracts to men who tendered at ridiculously low rates, but as a general rule I think it can be said that contracts are let to the low tenderers. Very often the low man has no idea of what the service is worth and he cuts the price, if I may so express myself.

At six o'clock the Speaker resumed the chair and the house took recess.

## After Recess

The house resumed at eight o'clock.

## PRIVATE BILLS

CONSIDERED IN COMMITTEE—THIRD READINGS

Bill No. 29, for the relief of Sonya Shenkman, otherwise known as Sadie Shenkman.—Mr. Factor.

Bill No. 30, for the relief of Louisa Markland Molson Blaiklock.—Mr. White.

Bill No. 31, for the relief of Rita Constance Beatrice Gurd Rykert.—Mr. Lennard.

Bill No. 32, for the relief of Helen Elizabeth Ham Lilley.—Mr. Davidson.

Bill No. 33, for the relief of Mary Kaydouh Massabky.—Mr. Hyndman.

Bill No. 34, for the relief of Dora Louise Gustiana York.—Mr. White.

Bill No. 35, for the relief of Violet Charlotte Dyke Duiven.—Mr. Jacobs.

Bill No. 36, for the relief of Irene Louise Penny McKee.—Mr. White.

Bill No. 37, for the relief of Esther Shapiro.—Mr. Lennard.

Bill No. 38, for the relief of Thomas John Howard Fox.—Mr. Lennard.

Bill No. 44, for the relief of Ruth Fitzrandolph McMaster.—Mr. Jacobs.

Bill No. 45, for the relief of Agnes Mercer Daniels.—Mr. Jacobs.

Bill No. 46, for the relief of Gerald Thompson Miltimore.—Mr. McKay.

SECOND READINGS

Bill No. 48, respecting The Pension Fund Society of the Bank of Montreal.—Mr. Jacobs.

Bill No. 49, for the relief of Birdie Louise Coleman Wilson.—Mr. Jacobs.

Bill No. 50, for the relief of Solomon Hyman, otherwise known as Saul or Sam Hyman.—Mr. Jacobs.

Bill No. 51, for the relief of Lewis Gould.—Mr. Jacobs.

Bill No. 52, for the relief of Hyman Stotland.—Mr. Hanson.

## SUPPLY

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

### POST OFFICE DEPARTMENT

The CHAIRMAN (Mr. Bradette): When the committee rose at six o'clock we were considering item No. 263, the outside service of the Post Office Department, $30,927,727.50.

Mr. BOULANGER: Mr. Chairman, when the committee rose at six o'clock I was saying that the government should set an example in fair wages and fair competition, and I hope that the Postmaster General (Mr. Elliott) will take my remarks and those of the hon. member for Lanark (Mr. Thompson) into consideration and, when the financial conditions of the country permit, do something to improve the position of the rural postmen.

The point which was raised before six o'clock by the hon. member for Lanark is not a new one in this chamber. It has been raised, I think, at every session since I have been a member of the house. In 1929 it even formed the subject of a motion of want of confidence in the government, moved by the Hon. Mr. Guthrie, and we had a full dress debate upon it lasting two or three days. At every subsequent session the matter has been discussed and hon. gentlemen on both sides of the house have endeavoured to persuade the Postmaster General that something must be done for the under-dog, the rural postman, but we have not succeeded yet. I shall not take the time of the house to read the opinions which were expressed by hon. members, but as I said a moment ago from both sides of this chamber came expressions of opinion in favour of improving the conditions of the rural postmen. In the debate on the motion that was moved by Mr. Guthrie I might mention by name a few of the members who spoke in favour of the rural postmen: Hon. Mr. Guthrie; Hon. Mr. Stewart, the former Minister of Public Works; Mr. Anderson, representing one of the Toronto divisions; Mr. MacLean, representing Prince, Prince Edward Island; Mr. Jenkins, also representing Prince Edward Island, Mr. Pouliot, representing Témiscouata; Mr. Boyes, and Miss Macphail. With the permission of the house I think I might quote the opinion of one member who was loved by everybody in this chamber and who passed away only a few days ago. I refer to the late Mr. Spotton, who was one of the most genial members of the House of Commons, and I am sure that all of us who knew him regret very much his untimely death.



In the session of 1931 this question again came before the house. It will be remembered that one of the promises which were made by our friends the Conservatives during the 1930 campaign was to improve the lot of the rural postmen. Circulars were sent to postmen and rural mail carriers everywhere in the country, and it was promised that if they voted for the Conservative party, and that party were returned to power, something would be done to improve the conditions under which they worked. In the session which followed the change of government in 1930 the matter was brought up; some member of the house asked the then government if they were going to carry out the promise which they had made during the campaign to improve the lot of the rural postmen, and our friend the late Mr. Spotton on that occasion used words which I make my own. He said:

> It is true, as the ex-Postmaster General has said, that a square deal for the rural mail carriers was advocated by many on this side of the house, and I suppose I really led in that matter. It seems too bad that of all the public servants in the Post Office department, the rural mail carrier is the only man who has, every four years, to tender for his position. The men in the city who to-morrow morning dons a suit of clothes paid for by the Post Office Department, walks around a few hours, goes out in the afternoon and walks around a few hours more, receives $1,400 or $1,500 and two suits of clothes a year and has a retiring allowance; but the fellow who hitches up the old mare and drives over the muddy roads or snowbanks gets the least consideration of all. I have advocated a square deal for these rural mail carriers. The ex-Postmaster General is correct when he says that this party is on record in this respect, and when the finances of the country become more buoyant, when the deficit in the Post Office Department is wiped out, we shall look to the present government to give some relief to the rural mail carrier.

The Postmaster General has stated before in the house that it would take from four to five million dollars to bring the remuneration of the rural postmen up to thirty-five cents a mile, which is not an exorbitant figure.

Mr. ELLIOTT (Middlesex): Ten million dollars.

Mr. BOULANGER: I do not remember the figures exactly; I tried to find them in Hansard but I could not. It will require this amount to bring the remuneration of these rural mail carriers who perform a useful service for the state up to thirty-five cents per mile. I repeat that this is not an exorbitant figure. If that is true, it means that the

government of Canada is doing these men out of $10,000,000. Such a state of affairs cries out to heaven for relief. We should not allow these people who perform such a useful work to be so underpaid. I repeat again that in the matter of fair wages the government should set a good example and do something for these rural mail carriers.

It has been stated that the difficulty is the tender system. Certain people tender for contracts without knowing what they are worth and under the act the minister must award the contract to the lowest tenderer. If the Post Office Act needs amending, it should be amended. The Postmaster General stated that there was a great diversity in climatic and road conditions and geographical locations. That may be true, but I think it would be possible to classify these rural mail services into certain well defined classes. There are thousands of civil servants who vary according to competence, training and so on, and it is possible to grade these people according to their capacities and the work they perform. If that can be done with the tens of thousands of civil servants, I am sure it can be done with the rural mail carriers. It should not be any more difficult to grade and classify these services than it is to grade and classify the general civil service.

I hope the minister will give serious consideration to the plight of these men. As I said at the beginning of my remarks, I agree almost entirely with what the hon. member for Lanark has said, but I do not agree with him when he suggests putting these rural mail contractors under the control of the civil service commission. The civil service commission, the Civil Service Act and the so-called merit system are three of the greatest jokes in this country. The proof of this statement is the fact that whenever a new service is created, such as the national employment commission or the national harbours board, it is placed outside the control of the civil service commission. This shows that the government, whether Liberal or Conservative, have no faith in the so-called merit system, have no faith in the Civil Service Act and have no faith in the civil service commission. If the civil service commission and the Civil Service Act were working according to the intentions of those who framed the system, I would be the first to speak in favour of them. The fact is that more patronage and favouritism are to be found in the civil service now than existed before.



Mr. DOUGLAS: The minister stated that the revenues from the Weyburn, Saskatchewan, post office amounted to about $21,000. What income would the postmaster receive from that post office?

Mr. ELLIOTT (Middlesex): He would receive seventy per cent on the first $1,000, seventy per cent of the stamp revenue, thirty per cent of all revenue over $1,000 to $10,000 and twenty per cent up to $20,000. Since the committee rose at six o'clock I made an estimate of what that would be, based on the total revenue, and I find that it works out to a little over $6,000. This would pay the postmaster and his assistants. Perhaps I could answer another question, which I have no doubt the hon. member has in mind, as to why this is not a civil service post office. The fact that the revenue is over $3,000 would make this a civil service appointment, but it must first be graded in that way at the request of the officials of the the department. As long as that post office can be run as apparently it is being run, according to the reports of the inspector who visits the office from time to time, it is more economical to run it as a revenue post office and that is the reason why it is still being run in that way. It will still continue to be run as a revenue post office until a request is received from the department to have it put into grade 2B.

Mr. DOUGLAS: What revenue would that post office have to return before it would be made a civil service post office?

Mr. ELLIOTT (Middlesex): That is quite an arbitrary figure. As long as it is run as it is now being run, as long as the inspector reports the service as being satisfactory, there is economy in running it as a revenue post office. When it reaches a size which in the opinion of the department makes it advisable to place it in grade 2B, the request will be made to have it graded in that way.

Mr. DOUGLAS: I should like to urge upon the minister the placing of that office under the civil service. What I am about to say is not meant as any reflection upon any person who has occupied the position of postmaster. The present incumbent of the office is retiring and the office is now practically vacant. The present system lends itself to a great deal of abuse. The postmaster need not be a resident of the city for a good part of the year; he can pay very low wages to his assistants with practically no holidays; he sets the hours which the staff

must work and yet may make more out of the post office than the entire staff combined. He may be absent for six or nine months in the year and never handle a single piece of mail. I am not casting any reflection upon any person, but I know this can be done; I know it has been done. I think it would be more satisfactory to the staff from the standpoint of the hours they would have to work, the holidays they would get, the pay they would receive and the service they would give, if the office was brought under the civil service. I submit that for the consideration of the minister, particularly in view of the fact that the office of the postmaster in the Weyburn post office is to be vacant in the near future.

Mr. POULIOT: I support the hon. member for Weyburn, and I would ask the minister kindly to consider his request and do his best for the postmaster at Weyburn, paying him in sound money, because if he is paid in Aberhart money he will get nothing.

Mr. PELLETIER: Does the hon. member for Témiscouata know where Weyburn, Saskatchewan is?

Mr. POULIOT: I know, because it is in the district which is being flooded more than any other part of the country with false promises.

Mr. ROBICHAUD: The statement has been made that with a view to increasing postal revenues there should be an increase in postage rates. I cannot agree with that suggestion. In my opinion the best way to increase the revenues of the post office is to reduce postage rates and give us the penny postage which we had after 1896 and again after 1921. I hope this government will give us that, for it has been proved in the past that the lower rate brought in a greater revenue. The same applies to post office boxes. Some years ago, in my town at any rate, the charge for the smaller box was $1 and for the larger $1.50, and the rates were increased to $2 and $3 respectively, but instead of the revenue increasing it decreased and half the boxes are not used. What is the use of having boxes if the people are not using them? After all, the Post Office department is running a public service and in my opinion we are all wrong in increasing rates if we think this will result in increased revenues. This is true of customs tariffs; whenever you reduce the tariff you get an increased revenue and vice versa. I urge the minister to take this suggestion into serious consideration with his colleagues and give us the penny postage. The people are waiting for it.

[Mr. Douglas.]

Mr. TUSTIN: In the first part of the item, salaries and allowances, I notice a decrease of almost $125,000. Does this mean that salaries of employees have been reduced or that there has been a reduction in the number of employees, or does it mean that the service will be curtailed to that extent?

Mr. ELLIOTT (Middlesex): It does not mean that salaries have been reduced; the only reduction is the five per cent cut.

Mr. TUSTIN: What is the minimum salary paid to male employees in the post office?

Mr. ELLIOTT (Middlesex): It depends of course on the range of employment, starting with the office boy, who gets $420 to $660, increasing $30 semi-annually for the first eighteen months and then $60 annually. It runs from there right up to the salaries of city postmasters which I gave the committee this afternoon. It all depends on the grade.

Mr. HEAPS: Some observations have been made this evening with reference to rural mail carriers. I sometimes wish that something could be done to do away entirely with this competitive system of awarding contracts and if at all possible to have men working on a permanent basis. I do not know whether it is possible to evolve such a scheme, but I hope the minister will take into consideration something of that sort, because I believe that in conjunction with the officials of the department it might be possible to work out a scheme whereby in connection with mail delivery in the rural areas the men would work for something approaching a decent living wage. I understand that in certain parts of the country the Post Office Department has abolished mail collection by the old method of horse and buggy and has adopted the use of automobiles. Has the minister any information with regard to that new method of collecting mail in some of the larger urban centres?

Mr. ELLIOTT (Middlesex): There are only two places where the collection has been made by motor and that is in part of the Ottawa collection, and in Toronto which was done by officials in the service. In other cases it is left to the individual contractor to take mail from one point to another in such conveyance as he sees fit. It is quite apparent, however, that in a city like Montreal, in taking mail from the point of arrival to the point from which it is distributed some trucks should be used. A number of trucks are used to cover the distance. The rural mail carrier however can use, and in fact in a part of the season has to use, on a

great many roads, horse and buggy and, for a part of the time, horse and cutter; frequently he uses a car if he can afford it and the roads lend themselves to the use of a car. There is no regulation.

Mr. HEAPS: I suppose it makes no difference to the Post Office Department whether they collect the mail by automobile or by horse and buggy, but those who can collect by automobile can tender so low as to wipe out all opportunity of the man with horse and buggy. From what the minister has said it appears that in Montreal and Toronto the department itself collects the mail. Am I right in that assumption? Is the collection in Toronto done by contract?

Mr. ELLIOTT (Middlesex): Most of it is by contract but part of it is by motor service.

Mr. HEAPS: A motor service owned by the Post Office Department?

Mr. ELLIOTT (Middlesex): Yes.

Mr. HEAPS: Is there any reason why the department itself should not continue to operate its own collection agencies with its own motor vans which it has in different parts of the country?

Mr. ELLIOTT (Middlesex): There has been a change in recent years. In a number of instances where formerly the department owned its trucks and had the service performed by men hired by the department, it is now letting to contractors who own their trucks carry on the service themselves. The department finds it is cheaper to let the contracts by tender than to buy the trucks and engage the men to service them.

Mr. HEAPS: Do I understand that it is cheaper for the government to let these contracts by tender than to operate its own services?

Mr. ELLIOTT (Middlesex): That has been the experience.

Mr. HEAPS: May I now advert to one other point that I raised in the first part of the afternoon? I do not do so with the intention of reiterating anything I previously said on the question of having a proper balance sheet before us so that we can understand the actual position of the postal service of this country. But the Postmaster General admitted early in the afternoon that the system of accounting in respect of showing a proper balance sheet is antiquated, going back to almost the time of confederation, and I am sure that he must be extremely anxious to bring about a changed condition in that respect. In the past five years, prior to the advent of the present government, I raised that question on one occasion, but my appeal fell on somewhat barren ground. I thought that under the circumstances which prevailed two or three years ago it was hardly worth while repeating the effort. But the former Postmaster General has now gone to his everlasting reward, and I somehow feel that my appeal to his predecessor will fall on more fertile soil.

I have had some little experience of public utilities. I have served as chairman and otherwise on committees which have had charge of these public utilities, and I have always felt that the people have a perfect right to know the exact conditions pertaining to the operation of these utilities. I classify the Post Office Department as a public utility of the first magnitude. That it is so is indicated by the fact, reported by the Postmaster General this evening, that the gross revenue of the department is approximately $39,000,000. I think our present Postmaster General is big and capable enough to cut away a lot of the red tape that surrounds many of the things that are done in our Post Office Department. It differs from practically every other department in that it is a revenue-earner, giving something for what it receives. A person who purchases a three cent stamp and, by putting it upon a letter, sends that letter from Ottawa to Winnipeg or Montreal or Vancouver or Halifax, is getting excellent value for the money he expends. So I think we have a right to know exactly what position the Post Office Department as a public utility, is in from a financial standpoint. I do not think the amount of work involved in preparing such a balance sheet would be extensive. I believe that at a moment's notice the minister or his deputies could tell how many post offices we have in Canada; they could tell us on short notice how many of the buildings in which the department is operating are owned entirely by the government, and they could probably tell us how many post offices are rented.

In common with the Postmaster General and those who preceded him I wish to pay tribute to the officials of the department from the highest to the lowest. They are giving excellent service. But what I am concerned with this evening is something apart from the service which we receive by way of collection and delivery of our mail; it has to do with the financial structure, the financial statements which we should receive each year and have not received, goodness knows for

how long. I think a proper system of accounting could, with very little effort and very little delay, give parliament a full, concise and clear statement of the position of the department. It was shown this afternoon that there is an apparent surplus of $3,000,000. Would it be asking too much to request the minister to promise the committee at this time that he will assign some one in the department to the preparation of a proper financial statement showing the number of buildings which the government has, the actual cost of maintaining those buildings, and the interest charges on them? I think the information would be of value to the Post Office Department, in addition to giving us knowledge which we now lack. The minister stated this afternoon that it might be difficult to obtain this information because other departments occupy space in some of the post office buildings. It is true that in some of those buildings space may be taken by the Department of Public Works and the Department of National Revenue. But I should like to know why the Department of National Revenue should have space given it by the Department of Public Works when the former is a department which collects revenue. Is there any reason why the Department of National Defence, if it occupies space in these post office buildings, should not pay its share of the cost from its own appropriation?

It might take a few minutes to get the information, but, once obtained, it would be available for all time to come and could be supplemented or subtracted from as time and conditions might determine. So I make this appeal to the minister to put together for the benefit of the house and the country a proper statement showing the actual condition under which the Post Office Department is working from year to year.

Mr. MARSHALL: As a new member, I should like to direct to the minister a question which, when answered, will enable me to avoid asking a lot of unnecessary questions. It has reference to the financial statement which has been read, and in which I am interested. In the reports of both the auditor general and the Postmaster General there is a large mass of information. On pages 6 and 7 of the report under discussion I find a general financial statement covering the year ended March, 1935. To my mind, at least, it is as clear as some of the financial statements issued by banks and other financial institutions. I find—to quote from this statement—that the net revenue for the year 1934-35 was $31,248,324.47, and that the expenditures for the same period were $28,974,316.53. In other words there was a profit of $2,274,-007.94. This statement goes on to say that if the Post Office Department had been indemnified for the expenses imposed upon it through the franking privileges enjoyed by the various departments of government the revenue would have been increased by approximately $750,000, thereby increasing the surplus to the same extent. I see no reason why that sum should not be credited to the revenue account and charged up to the Minister of Finance. This report goes on to say that there is also a direct charge against the Post Office Department for carrying on savings bank business. This costs the department over $60,000 yearly, for which it receives no remuneration whatever, but its expenditure is increased by that amount. Again I see no reason why the Post Office Department should not be credited with that amount, which could be debited to the Minister of Finance.

The question I should like to ask at this time is this: Supposing there was added to the expense account an amount equal to the rents of the various buildings throughout the country, would that give a true picture of the financial situation of the Post Office Department? In other words, taking this mass of information which we find in the auditor general's report, plus the information in the Postmaster General's report, if we add to the expense account the amount chargeable to the Post Office Department for buildings, would that, in the opinion of the minister, give us a true picture of the whole situation?

Mr. ELLIOTT (Middlesex): That would be substantially so, I should think. I am not quarrelling greatly with either of the two hon. gentlemen who have spoken in regard to this matter. Of course these expenses and rentals for buildings were small matters in the early years, when this system was commenced, but they have grown to great proportions since that time. The hon. gentlemen said I had stated that this was an antiquated system, but I think he has in mind what someone else said. I say this is a system that has been in force practically since confederation. That may make it a little antiquated. As far as this statement is concerned, I think it is a fairly accurate statement—it is carefully audited—of the finances of the Post Office Department apart from any charge which might be made for the rental of the buildings and the services of the caretakers.

I do not know whether the hon. gentleman who last spoke was in the committee when this question was discussed this afternoon, but we went into the matter at considerable

length at that time. I quite agree that it would be of value to this committee, particularly in times like these, to know as closely as we can get it—and we can get it fairly accurately—what this service costs. There is no question about that. There is, of course, the depreciation, which runs into many millions of dollars. There is the heating of all these buildings—

Mr. DUNNING: The equipment.

Mr. ELLIOTT (Middlesex): Yes, the equipment, some of it very expensive. There is all the belting and all that sort of thing which is put into a building originally, and a great deal more which is put in subsequently. That is all supplied by the Department of Public Works and is not charged against the Post Office Department.

Mr. DUNNING: And tractors.

Mr. ELLIOTT (Middlesex): Yes, there are tractors and a great many other kinds of equipment. I notice the alacrity with which my colleague the Minister of Finance refers to the enormity of that cost, and it is just possible that we have reached the time in the history of the finances of this country when we must take drastic steps to try to balance the departmental budget if this is to be reasonably close to a service at cost. From what I have heard in the chamber this afternoon it is quite apparent that the feeling of this committee is that in a department such as this, producing a revenue of $39,000,000 annually, we should not have too large a deficit as between actual revenue and actual cost.

Mr. DUNNING: There should be no deficit.

Mr. ELLIOTT (Middlesex): The Minister of Finance tells me, as he has told me before very positively, that there should not be any deficit.

Sir GEORGE PERLEY: Has not the minister overlooked the fact that his department does a good deal of work for other departments without getting paid for it?

Mr. ELLIOTT (Middlesex): Oh, yes, there is no doubt about that.

Sir GEORGE PERLEY: Has not the hon. gentleman overlooked that fact?

Mr. ELLIOTT (Middlesex): An hon. member has just referred to the fact that it costs $750,000 a year for the franking privileges enjoyed by the various departments and by the different branches of parliament. There is no question about that. I do not think the request that has been made is unreasonable, and I may say to my hon. friend from Winnipeg North that after the committee met previously I asked the Department of Public Works if they would be able to furnish us with an estimate, as accurate as it could be made, of just what was the cost that has not been taken into account in the figures appearing in this statement. I think it is only fair to members of the committee that we should have that information, and in making that statement I am not criticizing the system which has prevailed in the past. Looking over the history of the Post Office Department for many years, I think it has had a creditable record. From time to time the postal rates have been changed, and in answer to my hon. friend from Kent, N.B., who wished to get back to two cent postage may I say that we can get back to two cent postage when the business of this country gets to the point where we shall be able to secure the revenue which will enable us to reduce the rates to that point. We cannot do that at the present time. It may be that we shall have to make a more strenuous effort to balance our budget than we have ever been required to make in the history of the department. The Minister of Finance tells me that we must do so, and I am satisfied he is right. In connection with the information for which I have asked, however, I am bound to say that I know the Department of Public Works is very, very busy at the present time, and my own department is equally busy. If any of my hon. friends visited any of the branches of the Post Office Department and saw how the employees are working, like bees in a hive, not only during the week but also on Saturday afternoons and very often on Sundays, during the session, I think they would be confirmed in the belief, which I think they hold, and which has been generally expressed this afternoon, that the employees of the department are working very hard.

With regard to having the accounts show exactly what the deficit is, I may say to my hon. friend that I shall endeavour to get an estimate, just as accurate as can be obtained, and shall be glad to show it to him and to discuss the matter with him at any time. If there are many other matters which hon. gentlemen wish to discuss I am afraid that discussion will have to be deferred until another time. I am bound to say that I am now trespassing upon the time that has been allotted to the Minister of National Health. I had hoped that we were about through,

but if that is not so we may have to take another session for this item. However, if it is the feeling of the committee that we have almost exhausted the ground. I should be pleased to give any information which any hon. members desire.

Mr. STIRLING: I have one question apropos of what the minister said this afternoon. He referred to air mail services, the majority of which were under contract. Are those which were not under contract instances where the mail was carried by Royal Canadian Air Force planes in the north? What were the instances of those which were not carried under contract?

Mr. ELLIOTT (Middlesex): If I am correctly informed, we pay for the carriage of all mails carried by aeroplane.

Mr. STIRLING: Yes, but the minister said that the majority of them were under contract. What were those which were not under contract?

Mr. ELLIOTT (Middlesex): I was distinguishing between contracts for a definite period and those which were merely temporary.

Mr. STIRLING: They are all carried at a pound mile rate?

Mr. ELLIOTT (Middlesex): Generally, yes.

Mr. HEAPS: I take it that the minister will do his best to obtain the statement as requested. I have no desire to get it at this session, but I hope that when the estimates come down at another session the information will be available.

Mr. ELLIOTT (Middlesex): I shall endeavour to get it.

Sir GEORGE PERLEY: On what basis are revenue post offices operated?

Mr. ELLIOTT (Middlesex): In the revenue offices the postmaster provides the assistants. The total pay, to cover the postmaster and his assistants, is seventy per cent on the first $1,000, thirty per cent of the stamp revenue up to $10,000, and twenty per cent on all revenue over $10,000. To give the hon. member an idea as to how that works out I shall give him the figures with regard to Weyburn, about which information was asked this afternoon. In that instance the revenue is slightly over $22,000, and the total which goes to pay the postmaster and his assistants is a bit over $6,000.

Item agreed to.

[Mr. J. C. Elliott.]

DEPARTMENT OF PENSIONS AND NATIONAL HEALTH

European war pensions—Naval, militia and air forces after the war, $41,650,000.

Sir GEORGE PERLEY: I should like to be reasonable about the matter, but only a few moments ago we were discussing the estimates of the Post Office Department, and some hon. members on this side of the house who wished to ask some questions concerning pensions and national health have stepped out for a moment.

Hon. C. G. POWER (Minister of Pensions and National Health): If the right hon. gentleman does not mind my saying so, there will be other items dealing with pensions, and I would have no objection at all to a discussion on those items.

Sir GEORGE PERLEY: Is the minister going on with other items to-night?

Mr. POWER: Could we not reserve item 181, and the hon. members in question could discuss pension matters under that item?

Sir GEORGE PERLEY: I do not understand why the minister could not leave item 182, as well as 181.

Mr. POWER: It does not make the slightest difference to me.

Sir GEORGE PERLEY: What other item will the minister take to-night?

Mr. POWER: As many as I can.

Sir GEORGE PERLEY. Has he taken any of them?

Mr. POWER: Yes, some of the items have been taken up. For the moment I should prefer to deal with the pensions items proper, and come to the general items later. The grant to the Canadian Legion has been passed, and the Last Post Fund grant has been passed. I could take up the vote for pensions payable to men on active service in the Northwest rebellion, if the right hon. gentleman desires, or I could hold any one item with the understanding that anything might be discussed on it.

Sir GEORGE PERLEY: I suggest that we begin at the top of the page and take the items on the understanding that one will be left and that anything relating to pensions or national health may be discussed on that item.

Mr. POWER: I should not like to do that at the moment. I should like to discuss all the items which relate only to pensions.

Sir GEORGE PERLEY: Does the minister refer to item 174?

Mr. POWER: No, that involves both pensions and health. I could take item 181, if the right hon. gentleman desires.

Sir GEORGE PERLEY: That will be all right.

Item stands.

Pensions payable to men on active service, Northwest rebellion 1885, and general pensions, $20,000.

Sir GEORGE PERLEY: It would seem to me that this amount would reduce fairly quickly after so many years. I suppose the men entitled to the pension are long lived.

Mr. POWER: The vote is for $20,000, and is payable to ex-members of the militia who incurred disabilities during the Northwest rebellion of 1885. In the fiscal year 1932-33 there was a vote of $25,000, of which $21,500 was spent, and in the fiscal year 1933-34 there was a vote of $25,000, with an expenditure of $20,000. This is an annual expenditure, and owing to the death of the men who served in the rebellion it is reducing gradually.

Item agreed to.

Employers' liability compensation, $40,000.

Sir GEORGE PERLEY: What does this item cover?

Mr. POWER: This item has been in the estimates for a long time. Shortly after the war it was urged upon the government of that day that it was extremely difficult for soldiers who had suffered injury to obtain employment in civilian life, on account of their disabilities. With that in mind arrangements were made whereby certain premiums were to be paid to insurance companies on workmen's insurance. At the present time nearly all the provinces have workmen's compensation acts, and the arrangement is that if an ex-soldier who suffers from some disability is employed and is injured owing to his disability, in certain cases there is a pension paid to the board or to the insurance company by the government.

There has been some question as to whether this is a very useful item, and at the present time I do not believe it does very much by way of procuring employment for ex-soldiers. Whatever good it may have been immediately after the war, it is not of very much use to-day, although it has been continued. This is set up under order in council, and from year to year since 1921 the orders in council have been continued.

Sir GEORGE PERLEY: How much of it was used last year?

Mr. POWER: Last year the expenditure was $23,000. I understand it is the railway companies who profit, if anybody does, by this. It is not a factor in giving employment to ex-service men.

Sir GEORGE PERLEY: The minister is rather doubtful whether the item should not be dropped.

Mr. POWER: The minister is seriously considering whether or not it should be dropped.

Sir GEORGE PERLEY: I suggest that he go into it further before another year.

Item agreed to.

European war pensions—Naval, militia, and air forces after the war, $41,650,000.

Sir GEORGE PERLEY: Before this finally passes I would like the minister to agree that any member who wishes to speak upon it may do so upon some other item.

Mr. POWER: I have no objection at all, and if the right hon. gentleman wishes we can allow some item to stand when we get to the end of the evening.

Mr. GREEN: Would the minister explain the decrease in this item?

Mr. POWER: I do not know that there is any great reason for the decrease except possibly that we overestimated in other years. The amount is very much the same as it was last year. I can give the votes in other years, in round figures. In 1932-33 the vote was $48,000,000 and the expenditure $43,141,000; in 1933-34 the vote was $45,000,000 and the expenditure $41,839,000; in 1934-35 the vote was $42,000,000 and the expenditure $41,953,000; from April 1, 1935, to January 31, 1936, the expenditure was $34,440,000 and the appropriation for that year was $42,000,000, there being an unexpended balance of $7,559,000. The total number of pensioners from April to December, 1935, increased by 446, and the annual liability increased by over $20,000. The trend of cost is now, I think, fairly stationary. It is estimated that there may possibly be a saving of $350,000 in the 1935-36 appropriation, but this is more or less of a guess, as my hon. friend knows.

Mr. STIRLING: Could the minister, without going into a great deal of detail, give the trend in other allied countries? I think it is the case that in the United Kingdom the figure is gently dropping now.

Mr. POWER: I have not the statistics before me, but I think it can safely be said that in the United Kingdom the figures are dropping very considerably; in Australia they are pretty constant. I believe Australia began proportionately higher than Canada, but at the present time I think that in proportion it is lower than Canada. I am speaking now of the expenditure, let us say, per capita in comparison with the number of men enlisted in the Australian military forces and in our Canadian forces. There were 617,000 men enlisted in the Canadian forces and 410,000 in the Australian forces, if my memory is correct.

Mr. BETTS: How many men are at present drawing pensions under this vote?

Mr. POWER: The number of disability pensioners is 79,000 flat, and there are about 18,000 dependents' pensions. There are all told 97,200 pensions, distributed as my hon. friend knows among approximately 250,000 people.

Mr. BETTS: The minister in the bills which he has introduced, and which are now before the pensions committee, contemplates certain possible reductions in the total pension bill.

Mr. POWER: I do not know that I can say that. On the contrary, if my hopes are realized I imagine that this year, at any rate, and perhaps for some years the pension bill may be increased because I hope to get as many pension cases before the tribunals and before the courts as possible so that we can see some finality to the matter.

Mr. LENNARD: Does the minister think it is wise to make this reduction in view of the more sympathetic attitude that may be adopted toward the ex-service men?

Mr. POWER: The money will be found anyway. It is statutory that pensions have to be paid, but I do not see very much use in inserting in the estimates items that may not be used. As I have indicated, in 1932-33 there was $5,000,000 unexpended. There is really not much use in putting in figures that we may not reach.

Mr. LENNARD: In other words, if additional sums are necessary, the minister implies that ways and means will be found of providing them?

Mr. POWER: Yes.

[Mr. Stirling.]

Mr. BETTS: I am trying to understand the saving of $350,000 which the minister mentioned. If, as the minister says, the pension bill may be higher, why do we not budget accordingly? I am asking simply for information.

Mr. POWER: A large number of pensioners' children are now reaching the age where they go off pension. Children reaching the expiry age are a very important factor in the decrease. During the year 1936 there will be 8,787 children reaching the age when they will be no longer entitled to receive pensions, and naturally the pension bill will be lower on that account.

Mr. COLDWELL: The minister has mentioned children attaining their majority. That reminds me of one particular class which I wish to bring to his attention. I know of one or two returned men who subsequently to the war adopted a child, having no children of their own, and these adopted children, I believe, are not entitled to any consideration under the act or by the board either as veterans' children or for their education as other classes of veterans' children are. I draw this to the minister's attention with a view to getting these cases, few in number, looked into, because I believe in some instances the adoptions that were made were in the public interest because otherwise the children would have become public charges. I have in mind one case particularly which was brought to my attention.

Mr. POWER: It seems to me that there is some such provision in the Pension Act. Section 22, subsection 6, does cover, I think, generally cases of children who have been adopted. It states:

> When a child has been given in adoption or has been removed from the person caring for it, by a competent authority and placed in a suitable foster home, or is not being maintained by and does not form part of the family cared for by the member of the forces or the person who is pensioned as the widow, divorced wife, or parent of the member of the forces, or by the woman awarded a pension under subsection three of section thirty-two of this act, the pension for such child may, in accordance with the circumstances and in the discretion of the commission, be continued or discontinued or retained for such child for such period as the commission may determine or increased up to an amount not exceeding the rate payable for orphan children, and any such award shall be subject to review at any time.

The children are carried on for educational purposes after the age of eighteen provided they have shown certain progress.

Mr. COLDWELL: My understanding is that nothing could be done as the child was adopted subsequently to the discharge of the soldier. I brought this matter to the attention of the board, but I shall do so again.

Mr. POWER: That is a matter for the pension commission to decide. The hon. gentleman realizes that I have no more to do with the awarding of pensions than he has.

Mr. MUTCH: I understand that that would apply only to the children of a returned man.

Mr. POWER: I am speaking subject to correction, but I do not think it is restricted to the children of returned men.

Mr. MUTCH: They do not pay pensions to adopted children.

Mr. POWER: Probably my hon. friend knows.

Mr. MacNEIL: Will the minister permit one item to stand over until the report of the special committee is tabled? Possibly more satisfactory answers could be given at that time to the questions now being asked.

Mr. POWER: I see no real reason why that should be done. My hon. friend will have ample opportunity to discuss the report of the committee or any legislation which might be brought down as a result of the labours of the committee. I am a little perplexed as to why he wants this done.

Mr. PERLEY (Qu'Appelle): How many new applications were received last year?

Mr. POWER: There are about 10,000 outstanding and they seem to stay just about that. About 500 per month are heard every year by the quorums. It is hard to define just what is an application. We know there are a number of cases outstanding; we know at the present time there are over 3,000 cases ready for hearing, but we do not know how many men have made up their minds to apply for a pension and have written to their members of parliament or to the pension commission.

Item agreed to.

Salaries—staff, $3,428,000.

Mr. REID: I should like to bring a very serious matter to the attention of the minister, a matter relating to cancer. I should like to quote from a bulletin issued by the Vancouver Medical Association, dated June, 1935. The importance of this problem is pointed out by Doctor Robb who states that this is the greatest of all public health problems. The bulletin reads:

> Cancer is now second among all causes of death. The mortality is higher than that due to all infectious diseases combined (excluding pulmonary tuberculosis), and has ben rapidly increasing during the past ten years. During that time cancer has increased thirty-three per cent and tuberculosis has decreased twenty-five per cent. In 1926 there were 7,614 deaths from cancer in Canada, and in 1933, 10,646—an increase in the death rate from eighty-one to one hundred per 100,000. In 1933 one in every ten deaths was due to cancer. British Columbia is in an even worse situation as it has the highest cancer death rate of all the Canadian provinces. This has increased from 457 in 1924 to 836 in 1934 and there is almost an identical increase in Vancouver itself. There is a similar rise in mortality rates all over the world. The Metropolitan Life statistician thinks that 1933 may be the peak year but this cannot be accurately confirmed for several years to come.
>
> This rise in mortality constitute the biggest problem facing organized medicine to-day and is the direct result of our failure to face the situation. Measures now available, if properly applied, would reduce the mortality to less than one-half the present figures.
>
> Cancer differs from all other diseases in that there is no natural cure. There is but one opportunity to cure. This opportunity overlooked or ineffectively seized, the patient is doomed.

The point I want to bring to the attention of the government is the high cost of radium. While other cures are being tested, I believe the use of radium is the method most universally used. I have before me a newspaper article stating that the government of British Columbia is guaranteeing the purchase of $105,000 worth of radium, about three or four grams. It has been stated to me by members of the medical profession that at the present time radium is in the hands of an international ring, and I suggest to the government that this should be investigated. The treatment of cancer is a very costly affair to those of moderate means and I bring this matter to the attention of the government in order that a thorough investigation may be made.

Mr. MacNICOL: I cannot allow this item to pass without expressing a few words of appreciation of the staff of the Department of Pensions and National Health. In my riding are a large number of returned soldiers, and for the past six years a considerable portion of my time in Ottawa has been spent in making calls on the department on behalf of returned soldiers and their dependents. One thing that stands out strikingly in this department is the fact that

the staff look upon everything pertaining to returned soldiers in a non-political and non-partisan manner. In my opinion every returned soldier receives fair play from the staff of this department. The appointment of Judge Taylor has been blessed all over the country. I might say the same for the deputies and assistant deputies; I found them in every case most anxious not only to do what they thought was right for the country but to consider in a sympathetic manner every case presented to them. I am more than pleased to take this opportunity to express my commendation of the way in which the Department of Pensions and National Health has measured up to what has been expected of it in treating our returned soldiers with sympathy and consideration.

Mr. POULIOT: Would the minister be kind enough to tell the committee how many men are employed in the patent medicine branch. Who are they?

Mr. POWER: At the present time in the patent medicine branch there is only one man with three assistants, Mr. Teevens, but in the operation of this act the inspectors of the food and drugs branch are used by the patent medicine branch.

Mr. POULIOT: I understand that it is very difficult to discuss matters with Mr. Teevens. I wonder whether he makes special tests of any particular medicine. Does he make tests when the formula is submitted without checking the product afterwards?

Mr. POWER: All tests are made in the departmental laboratories under the charge of Mr. Lancaster in Ottawa.

Mr. POULIOT: I want to know whether several tests are made at different times or whether just one test is made when the patent is obtained.

Mr. POWER: Tests are made any time suspicion warrants this. I assume my hon. friend is referring to some patent medicine which the officers have found requires tests in order to see that the proper formula is followed.

Mr. POULIOT: Let me illustrate. Eno's Fruit Salts is advertised as fruit salts. In the United States the matter has been checked up and it has been proved that Eno's Fruit Salts is made of tar; it is made with citric acid from tar, and there is no fruit at all in it. It is not made with lemon or orange or grape juice or anything of that sort. In fact, in the United States the matter has been looked into and they had to change the libel



—I mean the label. It may not be a libel to use that label in this country, but it is false representation and I wonder whether the matter could be checked. It is a real farce now. A druggist goes to this official and submits the formula of a cure-all of some kind. This is analyzed and then an entirely different product is made. I would ask the minister to get some bottles of Eno's Fruit Salts, so-called, from different druggists, and have the contents analyzed. And I suggest that this be done not only with this particular brand of salts but with all salts that are called fruit salts, in order to ascertain whether the people are being deceived or not. I submit that it is most important to have an analysis made.

Mr. POWER: Although I am not an expert on either fruit or salts, I am informed that the product mentioned by my hon. friend does contain fruit and salts, such as tartaric acid and citric acid, and therefore I imagine that this would be considered enough to give them the right to call it fruit salts. I frankly admit, however, that I am not sufficiently familiar with chemistry to discuss the matter with any degree of exactness, and if the hon. gentleman will make a complaint to the department with respect to any medicine or drug or product which he thinks is wrongly labelled, we shall be glad to have a complete analysis made.

Mr. POULIOT: I thank the minister, but I would point out to him that while there may be some citric acid in the salts, there may be just a drop of lemon to a large quantity of tar, and tar is much better on the roof of a barn than in the human body. I lodge my complaint right now and I suggest that the minister should spend a few dollars to buy a dozen bottles of Eno's Fruit Salts in different drug stores and have it analyzed for the good of the country.

Mr. LENNARD: What in the world has this to do with the item under discussion?

Mr. REID: I regret that the minister had not time to refer to the matter I brought up.

Mr. POWER: The government of Ontario is making some endeavour to bring to the people of that province radium at a lower rate and is encouraging a private company, either by subsidy or in some other way, in order that the so-called monopoly may be broken. On the other hand, the price of radium is coming down because the countries that control that product have now come to the conclusion that it might possibly be found in other places and they are not holding so tightly to the monopoly they had. In any case I shall be glad to look into the matter.

Mr. POULIOT: Another gentleman in whom I am interested is the officer who reviews pensions. I understand he has a good war record, but it is not satisfactory when it comes to reviewing the decisions of the board with respect to the health of veterans. I am told that owing to his war service he was given the privilege of missing a few years in university and he has very little hospital training. I wish the minister would be kind enough to give us some information with regard to Doctor Shields, the reviewing officer. How long has he been in hospitals? I understand he is an office man, and that is a poor qualification for reviewing the decisions of the board with regard to the condition of soldiers and the degree of their incapacity.

Mr. POWER: Doctor Shields, who was appointed in 1933, has had a very good war record. So far as I can ascertain from soldiers generally and from observations made by them, they would appear to be quite well satisfied with the work he has been doing. He has replaced the commission counsel who were in the habit of appealing from the tribunal quorum in a large number of cases. So far as I am aware he does his work in an able manner; and to do his work he need not necessarily be a doctor, though I am informed and have every reason to believe that his record as a medical man is excellent. He had been medical examiner for the pension board for many years and he discharged his duties very well. In the duties he performs, though, he could just as well be a lawyer or a layman. His duty is to review from the standpoint of justice and equity the cases which have been awarded pensions. He carries out the duties imposed on him by statute, in so far as I know and in so far as I have been made aware by any of those particularly interested in these matters, in a proper manner.

Mr. POULIOT: I thank the minister, but I regret I do not share his views about that, because if this official has to review the decisions of the board with regard to disabilities of veterans he must be familiar with the medical art; not only that, he must have had actual practice. It is most important that a man who is a reviewing officer of the board of pensions should know whether a man has been incapacitated by a wound or by gas or by any kind of disease contracted during the war. I was much surprised by the case of a man who was indicated as having been wounded and having suffered the preliminaries of the disease which affects him now, and in respect of whom the decision of the board was far from being satisfactory. I cannot see how a man who has no practical experience in hospital can be a reviewing officer for cases like that. The minister very ably did not answer my question fully. I asked him how long the doctor had been in hospitals for training, and I would appreciate it very much if he would be kind enough to give me that information.

Mr. POWER: I have not that at the moment. I think my hon. friend entirely misconstrues the duties of Doctor Shields. Doctor Shields does not review decisions of the pension board. The pension board have at their disposal a very large number of doctors. The department also has a number of doctors. But when certain cases have been passed by what is now known as the pension board quorum, whereby pensions have been awarded to applicants, Doctor Shields, as representing the crown, reviews them to see whether or not on legal grounds, on medcial grounds, grounds of evidence or any other ground they should be appealed to the pension appeal court. He could do his work just as well were he a lawyer, capable of weighing evidence. In any case I wish to assure my hon. friend that Doctor Shields has a very good war record and a very good medical record, and so far I have never heard of his competence being called into question.

Mr. POULIOT: Again I thank the minister, and after the explanation he has given I regret very much that Doctor Shields is not a doctor of law. Having reference to some doctors of the department, may I bring to the attention of the minister a case that occurred under his predecessor, the present Lieutenant Governor of New Brunswick. A man was sent to Bellevue with a disease of some kind, and there the doctors decided to extract all his teeth. They sent him home without replacing them, and I had to correspond with Doctor MacLaren to show him the stupidity of these doctors in order that he should give instructions to the dentist down home to give the man a plate. There may be some good doctors on the staff, but they are not all alike, surely.

Mr. HOWDEN: Is it agreeable to the minister to discuss the Department of National Health under this item?

Mr. POWER: Surely.

Mr. HOWDEN: There are a few things I should like to bring to the attention of the minister, although he is probably aware of them. The first is that the Department of Pensions and National Health is really a department of pensions, national health practically playing no part. The Department of

National Health was instituted in 1919 and was given a fair start. At that time its chief duties were the administration of the Food and Drugs Act, the Opium and Narcotic Drug Act, the Proprietary or Patent Medicine Act, venereal disease control and child welfare. It is true there were other divisions, but these were by far the most important branches of the National Health department. The department still administers the Food and Drugs Act and the Opium and Narcotic Drug Act—very important, I grant you—also the Proprietary or Patent Medicine Act; but what seems to me, as a medical man of some thirty odd years standing, by far the most important features and functions of the Department of National Health, namely venereal disease control and the maternal and child welfare departments, have been dissolved and are, apparently, no longer factors in connection with the National Health department. Not only from a medical standpoint, but so far as the people of Canada are concerned, the divisions of maternal and child welfare and of venereal disease control were far more important and far-reaching than any others.

When the department was instituted in 1919, largely in response to a luetic condition prevalent among soldiers and inmates of hospitals, the federal health department proceeded with a program in collaboration with the provincial departments and established a fund of $200,000 annually to be divided amongst the provincial governments for the control of venereal disease. In 1925, when it appeared that the government of Canada would withdraw this appropriation, interested parties busied themselves and made representations to the government, with the result that the amount was reduced to only $150,000. In 1926 it was cut to $125,000, and in 1927, to $100,000. During the administration of the last regime it was done away with altogether. Not only were the grants to provincial governments for the control of venereal disease withdrawn, but the departments of child welfare and venereal disease control were entirely abolished. The leader of the opposition, speaking on March 13, stated that the grants to the Canadian National Committee for Mental Hygiene, which is a voluntary medical association for the purpose of informing the public on matters pertaining to mental hygiene, the Canadian Tuberculosis Association, the Canadian Social Hygiene Council, and the Canadian National Committee for Mental Hygiene, should be withdrawn and given to the provinces because the provinces were in need of funds

[Mr. Howden.]

The right hon. gentleman was in power for five years, but during that period no moneys were devoted to the provinces for the control of disease. He was not long in office when the only grant the provinces were getting was withdrawn. This brought about a surge of protest from a number of the most important societies and associations in Canada. The Canadian Medical Association, the National Council of Women, the Canadian Pediatric Association, the Canadian Social Hygiene Council and the Canadian Public Health Aassociation all protested vehemently against the withdrawal of this grant. At their meeting in Toronto the National Council of Women resolved:

> That representation be made to the Prime Minister regretting the discontinuance of the division of child welfare of the Department of Pensions and National Health.

Also:

> That the Prime Minister or federal government be asked for a statement of policy of the Department of Pensions and National Health in relation to national health as a whole and in particular in relation to maternity and child welfare.

The national executive of the Canadian Social Hygiene Council resolved:

> That in the opinion of the Canadian Social Hygiene Council the relinquishment by the dominion government of official leadership and responsibility for child welfare throughout the dominion is most regrettable;
>
> And that as the true function of voluntary associations is to supplement governmental action, the delegation of an important part of the work of dominion department of health to a voluntary association is a retrograde step.

I will speak of that more fully a little later on. The Canadian Society for the Study of Diseases of Children, meeting in Brockville on June 1, 1934, passed the following resolution:

> Be it resolved that in the opinion of the Canadian Society for the Study of Diseases of Children, the relinquishment by the dominion government of official leadership and responsibility for child welfare throughout Canada is most regrettable; and that as the true function of voluntary associations is to supplement governmental action, the delegation of an important part of the work to a voluntary association is a retrograde step.

This reference to a voluntary association, I believe, arises from the fact that when grants were withdrawn from the associations I mentioned in the first place, namely the Mental Hygiene Council, the Dental Hygiene Council, the Canadian Social Hygiene Council, and others, those grants were diverted to the Canadian Council on Child and Family Welfare, which was not a medical association

at all but a purely voluntary association not under the control or supervision of medical authorities.

I am bringing these matters to the attention of the minister because, since our Department of National Health was instituted in 1919, it has been steadily dwindling. That has been true under two regimes; it is still on the dwindle, and unless the matter is given some serious thought and consideration by the present government the department might as well shut up shop and be discontinued entirely. If it is the opinion of this committee and the government that the Dominion of Canada does not need a National Health department, then there is no need to make a farce out of it; we might as well do away with it altogether as pretend to the people of this country that we have a National Health department when as a matter of fact we have not. As a medical man of the Dominion of Canada I am making my protest and bringing these matters to the attention of the minister for his consideration.

Sir GEORGE PERLEY: Could the hon. gentleman, who has given a great deal of thought to this question, explain to us in a few words his idea of the division of work between the provincial and dominion health authorities?

Mr. HOWDEN: Yes. Ever since I have been in this house, for the last ten years, I have maintained that the federal government should lead in medical matters; that it should correlate the efforts of the provinces and lead the way in order to secure uniform services for all the provinces of Canada.

Sir GEORGE PERLEY: Does the hon. gentleman mean in an educational way or to supersede the functions of the provinces?

Mr. HOWDEN: No, not to supersede the provinces but to control the provinces and bring about a uniform administration of health.

Sir GEORGE PERLEY: In what way does the hon. gentleman suggest that the provinces could be controlled?

Mr. HOWDEN: The provinces could be controlled very easily by the establishment of suitable grants. If such grants were made by the federal authority to the provinces, with the understanding that certain standards had to be conformed to and certain measures put into force, there is no question that the grants would be readily accepted by the provinces if this were made worth while by the dominion.

Mr. BLAIR: I hesitate very much to differ with my hon. friend from St. Boniface, but while I share his enthusiasm in behalf of public health I cannot altogether approve of that matter being brought under any department of the federal government. That was about the only thing which was done by the former government and of which I approved, and I have often wondered whether I was wrong. I supported the action of the previous government in abolishing these grants; it seemed an unnecessary duplication of services. Why should we have a tubercular clinic controlled from Ottawa and another tubercular clinic controlled from Toronto? Neither do I approve of Toronto doctors coming to Ottawa and gathering voluntary subscriptions. Thousands of dollars are collected, without the books being audited, all in the name of national health. No doctor in Toronto should claim that name as his own.

I believe these matters should be dealt with in a businesslike way, and I do not approve voluntary organizations in relation to health. We have a right to protect the health of our people, but this should be done in a proper way. It may be every man's duty to see that it is done, but I believe it should be done under the provincial departments. Why, we might as well interfere with the provincial departments of education! Education is a very important question, but it does not come within the sphere of the dominion government. I consider that there is a great deal of unnecessary duplication. Can anyone imagine national health coming under the jurisdiction of a lawyer? That, in itself, is enough to condemn it from a federal standpoint.

Mr. POWER: To condemn the lawyer or the department?

Mr. BLAIR: Well, the minister is all right in his place, but do not ask him to supervise national health. I do not think that is his work. I have no complaint to make in that regard, but I suggest that if we wish to assist in this work we should make grants to the provinces. It is with a good deal of hesitation that I rise to offer a contrary opinion in regard to these matters, but this is the stand I have taken on two other occasions, once in support of the previous government. We seem to have a sort of voluntary division of this work in connection with child welfare. I say that is something of a farce and I believe we should abolish the grant that is given to Miss

Whitton's organization. I should like to see this question of national health dealt with in the proper way, and I should like this government to make grants to the provinces to assist in that work. That would do away with much unnecessary duplication.

Mr. YOUNG: I suppose if we were lawyers we would bring in a judge to settle the matter. There is one thing I want to say to-night, and it is that the present system of national health is entirely and absolutely unsatisfactory. I agree that it should be either improved or discontinued, but I do not believe it can be discontinued. It would take a long time to go into the question fully, and I do not intend to do so to-night. I recognize that the present minister is a lawyer, but of course he is not to be blamed in any way, particularly since he is a new minister, so I am not going to attempt to say anything that will embarrass him. But I want to say to him and to the government that this matter is of such vital importance that it should be given serious consideration, and that not later than a year from now, during the next session, we should decide to make drastic changes towards betterment, or we should decide to discontinue it and I do not think it should be discontinued. When I think of the people who have come into this country during past years, and of how little attention was given to the various physical and mental conditions, and when I look throughout the country and see what is taking place, I say that there was not given to examinations the attention which, in my judgment, should have been given, in connection with immigrants coming into the country.

I could go down a whole list of affairs which really should come under the Department of National Health but I am not going into that to-night. With regard to what the two hon. members have said about child welfare let me say that the usual procedure is that some voluntary organization undertake what they believe to be of interest, and if they can carry on that educational work to the extent where they establish some vital interest in it, then it may be passed over to the Department of National Health, or to some provincial department. But to reverse the process and take an established department out of the Department of National Health of the dominion and leave it to some voluntary organization to carry on the work, not even under medical supervision, is certainly getting the cart before the horse. If there is anything like getting into reverse gear, then we surely have it in that instance. I say these few words merely to express my opinion, without arguing it. The matter is of such vital importance that it must be investigated, and changed one way or the other.

[Mr. Blair.]

Mr. POULIOT: I hope the minister will accept the following suggestion: On the lists of the unemployed there are some doctors, and there are other doctors who do not find their work as profitable as it should be, or as it was before. Why not send some of them to the new settlements where doctors are badly needed.

Mr. POWER: Is one to be the minister?

Mr. POULIOT: No, I am satisfied with the minister in charge of the department. I believe some time ago I congratulated him upon his appointment, and he does very well. May I tell him that the highest quality in a minister is that of common sense, and he seems to have it. I hope he will show us that he has plenty of it. He has technicians to assist him, and if the doctors in his department are as good as he has said they are, then he has plenty of good advice at his disposal.

Sometimes people in the new settlements are living far away from medical assistance to which they are entitled. In some parts of Quebec the provincial government has placed nurses, but in other centres no medical assistance is available, although the promise has been given that some medical men or nurses will be sent. I suggest that the minister give serious consideration to the fact that the settlers need this medical assistance, and should have it. It would be an easy matter to have a doctor in attendance at a reasonable salary to look after all these people who are in need of medical assistance. The settlers should have every consideration, and anything done for them would meet with general approval.

Mr. COLDWELL: I have looked up some correspondence and I find that subsection 4 of section 22 of the act has been interpreted to exclude children of the type to which I have referred. I suggest that if the act is being amended this particular feature of the subsection might be considered.

Mr. POWER: I am sure hon. members of the committee will be glad to hear that if they appear before the committee their suggestions will be heard. If the hon. member will appear before it he could offer his suggestion.

Mr. COLDWELL: I am attending another committee which sits coincidentally.

Mr. YOUNG: I should like to ask one question. The minister of the department has had wide experience, and I agree with the hon. member for Témiscouata that he has given a marvellous display of common sense, and that he has the sympathetic attitude which every minister should have. I understand the reviewing officer takes appeals on behalf of the crown to the court of appeal, after the quorum has decided in favour of the soldier. That seems to me a most peculiar process. When a quorum of the board sits and hears evidence, and after weighing it carefully gives judgment in favour of the soldier by granting a pension, I want to say that so far as I am concerned I do not believe the crown should take an appeal from the decision of that board. I am asking the minister to give that matter serious consideration, to see whether that right should not be removed, provided it now exists. I believe it does the soldiers an injustice. It seems to me that they have to fight hard enough in many instances to have their cases properly presented to the quorum, and if they receive favourable consideration and are granted a pension I say that so far as the crown is concerned the matter should be allowed to rest there.

Mr. POWER: The matter has been brought to the attention of the committee which is now sitting. As the hon. member knows it is not permissible to discuss outside the committee matters which have been discussed in it, but I can assure him that the whole matter is being reviewed.

Mr. HOWDEN: I should like the minister to make a statement with regard to the venereal disease question.

Mr. POWER: I was under the impression that the hon. member was going to make a statement and that he was not particularly anxious to hear from me. I gathered that he did not think I had the qualifications to make a statement on a matter of this kind. As my hon. friend has said, it is true that the venereal disease grant made to the provinces for a number of years was cut off in 1932. As I gathered from him, that matter and the one dealing with the child welfare branch were the two most important questions he had to bring to the attention of the committee, and because in his opinion these have been neglected he has suggested that the whole department should be abolished, but perhaps he was exaggerating.

As such, the department deals to a great extent with national and international obligations. For instance, there is the quarantine division; there is the food and drugs division which covers our obligations under the Geneva convention respecting narcotics. In the past we have had a certain number of doctors attached to the immigration service, and may I point out to the hon. member that when these immigration examinations were being carried on the head of the department was himself a medical man, and if there was any fault to be found it would not be beyond the knowledge of the head of the department. When the branch dealing with child welfare was taken away from the department there was a distinguished member of the medical profession at the head of it. In the same way, when the venereal disease grant to the provinces was discontinued there was another distinguished member of the medical profession at the head of the department. So evidently any sins or crimes which have been committed by the department have behind them some medical knowledge and experience, and some medical reason possibly other than the ground of pure economy. I quote from the remarks which Doctor Béland, then minister in charge of this department, made in this house on July 18, 1924. He said:

> When a grant for this purpose was first voted by parliament it was made clear that the appropriation would be only for five years at the rate of $200,000 per year. The first appropriation was only $100,000. For the second, third and fourth years $200,000 was annually voted. This vote is to complete the $1,000,000 which was intended to be appropriated in order to help the provinces in combatting venereal diseases. We were only called upon to appropriate $100,000 this year but representations were made to the government—to myself in particular—from the different provinces in favour of maintaining the vote as it formerly stood. We have cut the difference in two and are making the appropriation $150,000. The object of the appropriation in the first place was to enable the provinces to establish a service to combat venereal diseases. This was a new work and the provinces were called upon to furnish of their own money an equal amount, as they did. After five years it is now found that the service is well organized throughout the country, and it is felt that the federal exchequer should not be called upon to pay as much money as it did before.

Nevertheless, as has been stated by my hon. friend, the appropriation continued to be made until 1931-32. I have received representations from a number of doctors to the effect that it would be a good thing if we could renew this appropriation or provide another.

Sir EUGENE FISET: Has the minister received any representations from the provinces that the grant be renewed?

Mr. POWER: So far as I am aware, we have not in recent years received any representations from the provinces to that effect.

Mr. HOWDEN: There were representations made by the provinces when the grant was first withdrawn.

Mr. POWER: I said none in recent years. Some of the provinces are highly organized in this respect and there is no necessity of federal assistance; for example, Ontario, Quebec, and some other provinces are looking after their own affairs, although no doubt they would be very glad to receive a grant of fifty or a hundred thousand dollars.

Mr. HOWDEN: Most of them have had to discontinue their efforts in this direction in many cities.

Mr. POWER: I am informed that that is so; that they have had to curtail their expenditure owing to the fact that there has been no appropriation made by the federal government.

With regard to child welfare, the money expended on that branch amounted, I am told, to approximately $13,000 per annum. Those in charge of the department within the last four or five years have in their wisdom decided that this work can be carried on just as well by voluntary organizations, but as my hon. friend informed us to-night—and he seemed to have good authority for what he said—it is perhaps not considered advisable by the great weight of medical opinion that private organizations should carry on this work. Medical men, including the hon. gentleman himself, consider that this work is essentially a government, and not a private function. While the amount of the grant was cut down in 1910, the grant to the Canadian Council on Child Welfare was $10,000, and the expenditure therefore, I take it, was reduced by approximately $3,000; in 1931-32 the expenditure was $10,000; in 1932-33, $9,000; in 1933-34, $9,000; in 1934-35, $12,600; in 1935-36, $12,600, and this year the amount is $13,100, bringing the amount expended for this purpose to approximately the same amount as was expended prior to the time when this branch of the department was done away with. Quite frankly I cannot say from my experience up to the present that it would be preferable to have this money expended by the department itself rather than by this voluntary organization but I have no objection to studying the matter and taking the best advice I can get, and then possibly next year we may be in a position to please my hon. friend.

Sir GEORGE PERLEY: Not being a medical man I do not intend to express any opinions on the best way of handling this matter, but I would say from the experience we have had in the last five years that this is one of the knotty problems of government. It is one of those questions which arise between the dominion and the provinces and which it is not easy to settle.

Last year it will be remembered that the then Minister of Pensions and National Health called a meeting at Ottawa of the representatives of the provincial health departments, and they had a very satisfactory meeting here. I know that Doctor Sutherland told me afterwards he had great hopes that some way would be found to coordinate their efforts to produce the best results possible. The object he had in mind at that time was to find some way in which the dominion and the provinces could cooperate in this very important work. The health of the people is something in which we are all vitally interested, and naturally medical men in this house have always discussed the question from that point of view because we all want to do what we can for the health of the people of this great dominion. There is nothing of greater importance, but it is in the first instance a provincial matter. The provinces are charged with that duty. This government has no power to make any regulations or to carry out any administration in regard to health anywhere in this country. We all know that.

Whether some plan can be found by which the federal Minister of Pensions and National Health can cooperate in a reasonable way with the health ministers and officers of the different provinces I do not know. Naturally the dominion would have to give some money for that purpose; this would be expected. But the efforts at cooperation that we have made from time to time in other fields in which the federal government as well as the provinces have an interest have not been very successful. We have tried to cooperate in a comparatively simple matter like the Companies Act, for instance, which is a much easier question to handle than that of health, but we have never been able to arrive at any conclusion or arrangement with the provincial authorities. I am sure that the present Minister of Pensions and National Health has it at heart to do anything he possibly can in a reasonable way to improve the health of the people of this great dominion, and I sympathize with him in the fact that there is great difficulty in connection with the provisions of the British North America Act, and in the fact that this federal parliament has no real authority to act unless the action is taken with the consent of the provinces. And so I think this question is one which

requires a great deal more consideration before it is possible for anyone to suggest a plan that would be of any particular service in clearing up this rather knotty problem.

Mr. POWER: May I say to my right hon. friend I was informed that it was extremely difficult to arrive at any specific arrangement with the provincial ministers of health because they were not prepared to give up any function or control which they at present exercise. However, possibly because I have no prejudices in the matter, and because I desire to have another try, I have asked the provincial ministers of health to come to Ottawa on June 16 in order that I may discuss this matter with them in the hope that we may be able to find some means of co-ordinating our general efforts.

Item agreed to.

Administration expense — Department and Canadian pension commission, $681,758.

Sir GEORGE PERLEY: Will the minister explain the reason for the increase?

Mr. BETTS: The whole problem of the returned soldier is being discussed very fully in a special pension committee in which opportunities are offered that are not available here for the hearing of evidence. That committee is spending more time on these items pertaining to returned soldiers than can be spent here. While all these items are of vital interest to me and to my constituents, I feel that the proper place to discuss them is in that committee. I do not want to appear uninterested in these items, because I am very much interested, but I think they could be better discussed in the committee. I do not propose to suggest to the minister how he shall conduct his estimates, but I am wondering whether these items could not be submitted to us after the committee has made its report.

Mr. POWER: It is not a standing committee of the house; it is a special committee set up to deal with three pieces of legislation. In most years there is no pension committee and these estimates must be voted every year. This is the normal way of voting estimates. Except in one or two instances, the whole administration of this department has never been submitted to the scrutiny of a committee. The committee now set up is to report specifically on certain legislation. My hon. friend knows that no limitation has been placed upon the discussions in that committee.

Mr. BETTS: That is my point. There have been no limitations and the result is that there is ample opportunity to scrutinize these items. I think the items could be discussed more intelligently after the committee has sat.

Mr. POWER: I have no objection to holding over one item for discussion. After all, there are only a few hon. members who are members of that committee. That committee is dealing with certain legislation and when its report is before the house, hon. members will have ample opportunity to discuss the legislation. If there are any other matters that hon. members desire to bring up before the committee for discussion, I have no doubt the members of the committee will be very glad to have them discuss them. I cannot see any helpful purpose to be served by holding up these estimates until the committee has made its report. That has not been the practice in other years.

Sir GEORGE PERLEY: I may have misunderstood the hon. member for London (Mr. Betts), but as I understood him, he suggested that perhaps hon. members could ask their questions about the estimates more intelligently after the pension committee had reported. In other words, some of the matters which they might want to discuss might be settled by the committee and it would not be necessary to discuss them here. However, if the minister is going to leave one item open for general discussion, hon. members will be able to bring up any question.

Mr. POWER: I have no objection to leaving an item open for discussion. This committee is investigating every phase of returned soldier activities. Witnesses are being brought in from outside and members of that committee, whether they are in order or out of order, carry on conversations for hours about these matters. I cannot see that the matter can be made more clear in the House of Commons than before that committee. I do not think any minister has refused a request to hold open an item, and I am quite willing to do so.

Mr. BETTS: That would meet my point exactly.

Sir EUGENE FISET: After all, we are discussing the estimates of the Department of National Health as well as of the Department of Pensions. Anything brought out before the special committee has no bearing upon the estimates before the committee of the house at the present time. The special committee is dealing with an amendment to a specific act and witnesses have come from all over Canada to give their evidence. When that committee reports there will be ample opportunity to discuss legislation in committee of the whole as well as in the full house.

Mr. BETTS: I cannot make it any clearer than it has been made by the hon. member for Argenteuil (Sir George Perley) Certain

information has come out in the committee and will come out at future sittings which will enable those interested to discuss these very items more intelligently.

Mr. POWER: I would be prepared to leave item 175 open. If the committee has no objection to passing the remaining items, it will be understood that any matter pertaining to pensions or returned soldiers can be discussed under that item.

Sir GEORGE PERLEY: Or national health.

Mr. POWER: Is it intended to continue the discussion on national health? The point raised by the hon. member for London (Mr. Betts) and my right hon. friend does not apply to national health. We are not discussing health matters in the committee.

Mr. MacNICOL: Item 175 is very important and I should think the minister would want to get it through. I am heartily in accord with this item, because I know splendid work is being done under it. I suggest that the minister have this item passed and hold over a smaller item so that discussion may be had later on.

Mr. KINLEY: Considerable difficulty has been encountered in connection with sick mariners landed from ships, but I believe the Canada Shipping Act contains a provision that will settle these difficulties. This act is to come into force on August 1 and amendments are to be submitted to the house in an effort to cure any difficulties that may be encountered in the administration. Can the minister make a statement as to how men landed by an indirect route and brought to Nova Scotia or to any other part of Canada will be treated in the future?

Mr. POWER: I do not know that I can say what is going to happen in the future. After all, the act to which the hon. member refers will be passed and doubtless it will be interpreted in the broadest possible manner by the officers of the department. I cannot undertake to lay down the line of conduct as to just what is going to happen after this legislation is put through.

Mr. KINLEY: Is the minister aware that under the new Canada Shipping Act there is a section 308, subsection 5, which provides that a seaman being a fisherman may enter hospital even if he is taken ill or injured outside of Canada and arriving in any of the said provinces other than in a ship to which he belongs.

[Mr. Betts.]

Mr. POWER: I am inclined to think so, but frankly I must say that I did not read the Canada Shipping Act when it went through the house. As my hon. friend will remember, it was christened the Anthony Adverse of legislation and went through in two or three hours. I did not take the trouble to read it and I do not believe that even the seafaring members of the house did so. I cannot speak from personal knowledge as to what is contained in that act.

Mr. KINLEY: As a matter of fact I know that provision is in the act, and I thought a public statement would be made advising our fishermen as to their rights and privileges at the present time, because they are at sea now and there may be a sick mariner at any time, and they would know that they could land him at Newfoundland or have him transferred to another vessel and so come under the act.

Mr. POWER: I cannot even guarantee that the act will become effective within any given time.

Mr. KINLEY: It is proclaimed.

Sir GEORGE PERLEY: It was stated by the minister who had charge of the matter that it had been proclaimed for a certain day in the future.

Mr. DUNNING: My hon. friend from Queens-Lunenburg will have an opportunity to direct attention to the matter inasmuch as there is on the order paper a bill to amend the Canada Shipping Act. This will enable him to ascertain the exact place in Anthony Adverse where this particular trouble is dealt with.

Mr. POWER: He knows where it is.

Mr. KINLEY: I want the minister to be aware of it so that the officials will remedy the difficulty.

Mr. POWER: They will interpret the act to the best of their ability.

Mr. RYAN: How are these grants made in connection with sick mariners?

Mr. POWER: We administer part 5 of the Canada Shipping Act and give surgical and medical attendance and treatment to the sick and injured. We maintain one departmental hospital and make provision at other ports for care and treatment at contract rates in local hospitals. The revenue is obtained by a compulsory levy on the registered tonnage of ships arriving in the ports of Quebec, Nova Scotia, New Brunswick, Prince Edward Island and British Columbia. Such dues are

paid not oftener than three times during any calendar year. In order to be eligible for sick mariner benefits, dues shall be paid by vessels engaged in the fishing industry prior to the first voyage of each season and on each subsequent voyage not exceeding three in the calendar year. Certain grants are made out of the fund to the Navy League of Canada, the Sailors' Institute, Catholic Sailors' Club, and a number of other institutions. I have the list before me.

Mr. NEILL: Is the minister quoting from the Canada Shipping Act?

Mr. POWER: No; from our regulation with regard to the administration fund. The revenue collected as sick mariners' dues was: In 1931-32 $184,485, and in 1934-35, $181,203. As the committee knows, the expenditure was a little more this year than was anticipated in the estimates, owing largely to the fact that there had been a resumption of activities on the part of fishermen on the eastern coast of Canada.

Mr. RYAN: I understood that these grants were made to hospitals. Speaking on behalf of the medical profession, which at times in this chamber does not take kindly to the legal profession, I do know that there are some complaints. In the hospitals doctors give their time gratuitously in the performance of certain services, and among other things they attend to sick mariners in hospital who are on the sick mariners' relief fund. They are forced to give service to these men gratis, and if this contribution is made for a specific purpose I should like the minister to see to it that the doctors who treat these soldiers in hospitals receiving grants, get some remuneration for their services.

Mr. POWER: The arrangement we make with the hospitals is on a contract basis, and the amount we pay per patient covers medical care in the hospitals and the fees of doctors. I imagine, therefore, that the hospitals decide which doctors they will have, and it would be difficult for us, short of taking the drastic step of cutting off the grant altogther, to insist that a hospital should employ one doctor rather than another.

Mr. RYAN: That is not the point; I am not asking for one particular doctor. But doctors generally in the city give their time gratuitously to the hospital in certain cases and the hospital gets the total grant and keeps it, while the doctors who give their time do not get anything.

Mr. KINLEY: That is not so in Nova Scotia.

Mr. RYAN: It is so in Saint John, I understand.

Mr. POWER: We have an arrangement with the hospitals and they make their own arrangements with the doctors. It would render the administration of the act difficult to make separate arrangements with all the doctors.

Mr. NEILL: I understood the minister to quote from the regulations that where it was not convenient for men to go to the hospital maintained by the department, arrangements were made with local hospitals. Is that correct? How about the case which I brought to his attention? It was suggested that the man ought to be sent to Lunenburg.

Mr. POWER: My hon. friend sometimes has the minister absolutely on the hip. I have not been able to explain the matter to myself, but I have some hopes that if I receive many more enlightening communications from my hon. friend I shall finally begin to understand it. The fault to be found with my hon. friend's friend was that he allowed his vessel to sink under his feet before he reached the shore.

Sir GEORGE PERLEY: I asked the minister to explain the increase this year.

Mr. POWER: There is an increase of $12,968 due to paying more inspectors in the food and drugs branch. In public health engineering there is an increase of $2,764. There is being opened a new office at Vancouver for the district comprising British Columbia and Alberta, and that requires extra provision for equipment and travelling expenses.

Sir GEORGE PERLEY: Is that the Department of Health?

Mr. POWER: Public health engineering. In marine hospitals there is an increase of $23,000 over last year. As I pointed out, the amount required last year for marine hospitals was underestimated by $20,000. In quarantine and leprosy there is this year a decrease of $9,103. During the last few years the demands upon the department in connection with quarantine, leprosy and the fumigation of ships were considerably less than the estimates.

Sir GEORGE PERLEY: Are the number of leprosy cases decreasing?

Mr. POWER: We have at present seven in the east and four in the west; there is a decrease of one in the east, at Tracadie. In immigration, medical inspection, there is a decrease owing to the fact that we have closed three offices in the old country and brought the physicians back here and assigned them to other duties.

Sir GEORGE PERLEY: Could the minister explain what is public health engineering? I am not conversant with the term.

Mr. POWER: It largely deals with international traffic on the great lakes and inland waters of Canada, in checking the water supply for ships and boats and matters of that kind. It is an appropriation for the enforcement of the regulations approved by orders in council of June 19, 1923 and February 25, 1930, concerning water for drinking and culinary purposes on vessels navigating on the great lakes and inland waters, and on common carriers engaged in international and interprovincial traffic. There is a constant supervision of vessels and cooperation with ship owners.

Mr. POULIOT: Before this item is carried may I state that I understand that there is an item for the Food and Drugs Act. It is not only Eno's Fruit Salts that I have to complain of, there is also the J. N. de Kuyper gin. On the label it is stated in big letters that it is distilled in Holland, which is untrue. It is made in Montreal. It is a kind of concoction made of syrup that they mix with alcohol. I wonder whether the minister will not take steps to have the label rectified, so that people will not be under the impression that they are drinking pure Holland gin when they have only that concoction made of syrup by a liquor company in Montreal.

Mr. POWER: I am almost inclined to share my hon. friend's indignation at the thought that J. N. de Kuyper gin, which was a staple in the province of Quebec some years ago, has deteriorated. If such is the case I shall most certainly make such inquiries as I can in order that it may be brought up to the standard which we were led and taught to expect from that great concern.

Mr. POULIOT: Thank you. There is something else. In the United States they have a wonderful publication which indicates the cost of patent medicines to the producers. For instance there is Vapex, which is sold at around $1 a small bottle, and it costs the producer about twelve cents. It is an exploitation of the public, and if the facts were made known to the Canadian people there would be much less of such exploitation by the makers of medicines.

[Sir George Perley.]

Mr. POWER: I had the pleasure of reading the same book as my hon. friend has read. I think it is called a Hundred Million Guinea Pigs, and reference is made in it to the matters to which he has drawn my attention.

An hon. MEMBER: It is almost as bad as the law.

Mr. POWER: According to A Hundred Million Guinea Pigs, the book to which my hon. friend refers, the poor people of the United States of America were being deluded, through heavy advertising, into buying worthless preparations. But I am informed that the regulations of the Department of National Health provide that if a commodity or a product is required to be registered and the price of the product is found away in excess of its real value, registration is refused.

Mr. POULIOT: Hear, hear.

Sir GEORGE PERLEY: Does that mean that when they ask for registration the department demands to be shown the cost? Is that what is done?

Mr. POWER: I understand that an estimate is made from the formula. The application form states the price.

Sir GEORGE PERLEY: And the cost price too?

Mr. POWER: It states the sale price, and the department makes a careful study of the cost price.

Mr. POULIOT: Therefore there will be a great saving in our drug stores?

Mr. POWER: Certainly.

Mr. MacNEIL: There is a matter which lies outside the scope of the inquiry of the special committee, but which I think should receive the attention of the minister. I refer to the circumstances of a large number of imperial service men who are in Canada and who were not domiciled here at the outbreak of the war. Their needs are dealt with, of course, through the Canadian representative and the Canadian office of the British Ministry of Pensions. Nevertheless circumstances are such at the present time that their needs are being referred to various municipalities, and in the constituency which I represent a number of municipalities have had reason to complain, feeling that these men should be dealt with by the Canadian government. It has been difficult to explain the situation, and it has been difficult also, in referring the matter to the Canadian Office, to secure a review of their claims such as we usually secure from the Canadian

pension commission. I should like to ask the minister if he has considered the advisability, in view of the vast array of often disgraceful evidence as to the condition of these men, of making suitable representations to the British Ministry of Pensions that these men may secure redress.

Mr. POWER: The matter to which my hon. friend refers was brought to-day to the attention of the committee on pensions, although it came up indirectly in connection with another matter; the representations covered the point raised by my hon. friend. The request of those representing the imperial veterans is that they be treated on exactly the same basis as Canadian veterans. At the present moment, as my hon. friend knows and as doubtless the committee is aware, soldiers who served in the imperial army but who were domiciled as citizens of Canada prior to the war are treated on the same basis as Canadian citizens, in that the pension which is granted to them by Great Britain, and which is very often below that which is granted by Canada, is augmented to the Canadian level. The point now raised is whether persons who have come to Canada since the war and who did not serve in the Canadian forces, but served in the imperial forces, shall receive the same treatment as those who served in the Canadian forces. The question is a difficult one to settle. As my hon. friend well knows, it is one for negotiation as far as possible with the British Ministry of Pensions. In any case I should be very glad to take the point up again with the British government, though I understand it has been discussed many times, as to whether they are prepared to make an additional allowance to their soldier pensioners now residing in Canada.

Mr. POULIOT: Before this item is carried would it be possible to know how many veterans in armies other than the British army had the preference over Canadian citizens in the civil service. I wonder whether the minister can answer that, or if he cannot, would he be kind enough to tell me from what department I can get that information?

Mr. POWER: I will, with great pleasure, refer my hon. friend to the civil service commission.

Item agreed to.

Mr. POWER: If my right hon. friend (Sir George Perley) is satisfied I will hold open item 173. The hon. member for Davenport suggested that perhaps item 175 could be passed at once. There are two large items, one for $2,600,000, the other for $3,000,000. I am quite willing to leave the $3,000,000 item open and pass the one for $2,600,000.

Sir GEORGE PERLEY: I do not think it makes any difference.

Item agreed to.

Unemployment assistance, $2,600,000.

Mr. GREEN: What imperial veterans are eligible for assistance under this particular item?

Mr. POWER: Those who arrived in Canada prior to 1924 and who are pensioners or who have commuted their pension.

Mr. GREEN: Is there any reason why that date should not be carried forward, for the benefit of men who arrived after 1924?

Mr. POWER: I think it would be rather a big question to discuss at this late hour. I assume that the regulations were made in 1924 and they took the situation as it was found at that time. No government since then have thought that their duty lay in looking after imperial soldiers of another country. They took the situation as they found it at that time, and since then no government have considered it to be their duty to look after soldiers of another country. As a matter of fact, as my hon. friend knows, these men are being looked after by the municipal authorities of the municipalities in which they reside. They are not starving.

Sir GEORGE PERLEY: Unemployment assistance, as I understand it, is assistance given by this government to ex-service men in lieu of the ordinary relief which is given by the municipalities.

Mr. POWER: It is given to small pensioners who are unemployed. Only small pensioners are in receipt of it.

Sir GEORGE PERLEY: To all pensioners who are unemployed?

Mr. POWER: To unemployed small pensioners whose pensions are not sufficient to bring them up to the scale laid down by the department as the scale they should receive.

Mr. GREEN: What would be involved if that date were carried forward to January 1, 1936?

Mr. POWER: I have not the faintest idea and I do not think we could get an estimate of it, because I do not think there are any figures available anywhere to let us know how many British ex-soldiers have migrated to Canada since 1924.

Mr. GREEN: Could that information be obtained from the municipal relief lists?

Mr. POWER: It might be obtained in some way. I am in hopes that if a classification of ex-service unemployed is made by the veterans' assistance commission all these facts and figures will be available, but certainly they are not available now.

Mr. GREEN: I suppose the dominion government is now paying a large share of the cost of relief for these men, in any case?

Mr. POWER: Yes.

Mr. TUSTIN: What amount of assistance do these men get? Is it on a sliding scale?

Mr. POWER: There is a basic rate of $18.75 per month for a single man. The basic rate was laid down in the famous Hyndman report, and it is now in effect. It increases for a married man and for pensioners with children. If their pension is less than the municipal rate of relief we supplement it in order to bring it up to the municipal rate or to this basic rate of $18.75 per month for a single pensioner; $30 per month for a pensioner with one dependent, $34 per month for a pensioner with two dependents; $39 per month for a pensioner with three dependents, and so on. For a pensioner with seven dependents it is $51 per month. As an incentive to the pensioner to endeavour to secure employment casual earnings up to $10 per month are not deducted, and the earnings of any child living with the pensioner are exempted up to $40 per month.

Sir GEORGE PERLEY: Does the rank of the ex-service man make any difference at all in the scale?

Mr. POWER: No, not at all.

Sir GEORGE PERLEY: What amount was expended last year?

Mr. POWER: Last year we expended $2,042,000, and as a result of the findings of the Hyndman commission the amount will be considerably increased this year.

Sir GEORGE PERLEY: Does the minister expect to have to spend $2,600,000?

Mr. POWER: Yes.

Sir GEORGE PERLEY: Because of the increase recommended in the Hyndman report?

Mr. POWER: Yes.

[Mr. Power.]

Mr. TUSTIN: Do I understand the minister to say that returned men get this relief providing they are already receiving a small pension, in order to bring it up to a certain amount, or do they have to be on relief in the municipality in which they reside in order to have their income supplemented in this way?

Mr. POWER: The returned soldier who is a pensioner has no connection with the municipality at all as far as relief is concerned; he is not obliged to apply to the muni ipality. He applies to this department, and if his income is not as high as this basic rate or as the rate of the municipality in which he lives, then we supplement that amount. So far the government of Canada has not considered it to be its duty to look after ex-soldiers who are not pensioners.

Mr. TUSTIN: I have in mind a pensioner who is receiving a small pension; no doubt the minister will recall the case, because I have spoken to him about it. I think this man has a pension of about $30 per month, and he has a family of four children. He strenuously objects to applying for relief, either from the municipality or under this scheme, and I was just trying to get it clear as to whether he should be on municipal relief.

Mr. POWER: If he receives a pension of $30 per month he would probably have that amount brought up to the scale I mentioned a few moments ago.

Item agreed to.

War veterans' allowances, $3,200,000.

Sir GEORGE PERLEY: I would like some explanation of this increase, but it is almost eleven o'clock.

Mr. POWER: It will not take me a moment to explain. The war veterans' allowance was introduced in 1930. At that time a very good estimate was made as to the annual amount that would be expended, and the estimate has been pretty closely followed since then. As the soldiers grow older and reach the age of sixty more of them come under this act. Some of them grow less capable of looking after themselves and also come under the act. That is the reason for the increase.

Sir GEORGE PERLEY: That is a reasonable explanation, but I should think their numbers would be growing less.

Mr. POWER: Not in this particular category. There are more reaching the age of sixty than are dying. In 1930 it was anticipated that by 1959 the expenditure under this item would reach $12,000,000 annually.

Sir GEORGE PERLEY: Is this allowance made only to those over sixty?

Mr. POWER: To those sixty or over or to those holders of small pensions who are permanently incapacitated.

Item agreed to.

Progress reported.

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

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## Monday, April 27, 1936

The house met at three o'clock.

### QUESTIONS

(Questions answered orally are indicated by an asterisk.)

#### HOUSING LOANS

Mr. DESLAURIERS:

1. Is it a fact that the Canada Life Assurance Company, investment department, 275 St. James street west, Montreal, has issued a circular stating that by virtue of an agreement with the government this loan company will pay 50 per cent and the government 20 per cent of approved loans in the province of Quebec, that is 70 per cent instead of 80 per cent as the law demands, while in the other provinces of the dominion this company states that an agreement has been made with the government to pay 80 per cent?

2. If so, can the government state how many of these loans were made in the province of Quebec after an agreement between the government and this loan company?

3. What are the reasons given for the inequality of treatment between Quebec and the other provinces of the dominion?

4. What are the other loan companies, if any, who have made similar agreements with the government concerning the province of Quebec?

Mr. DUNNING:

1. No information as to the circular referred to. In the case of all lending institutions, the agreements beween the dominion government and such institutions provide that the share of the lending institutions may be 50, 55 or 60 per cent of the total actual cost of construction or appraised value of the property, whichever is the lesser, as agreed upon between the lending institution and the borrower in each case. Under the agreements there are no provisions limiting the operations of the lending institutions to any one or more provinces or discriminating between various provinces as to amounts loaned or other conditions.

2, 3 and 4. Answered by No. 1.

#### WHEAT EQUALIZATION CHEQUES

Mr. MAYBANK:

1. How many grain growers benefited by equalization cheques respecting wheat in (a) Manitoba; (b) Saskatchewan; (c) Alberta?

2. How many grain growers benefited by equalization cheques respecting coarse grains (a) Manitoba; (b) Saskatchewan; (c) Alberta?

3. What is the amount of each of the three largest cheques paid out as equalization money in respect to wheat, and in favour of whom were such cheques made?

4. What is the amount of each of the three largest cheques paid out as equalization money in respect to coarse grains, and in favour of whom were such cheques made?

5. In what number of cases did primary producers assign such equalization payments respecting wheat (a) Manitoba; (b) Saskatchewan; (c) Alberta?

6. In what number of cases did primary producers assign such equalization payments respecting coarse grains (a) Manitoba; (b) Saskatchewan; (c) Alberta?

Mr. GARDINER: Mr. Speaker, I would point out in reply to this question that the government will not be in possession of the information referred to. It will be in the hands of the wheat pools, and not even in their hands until later in the year. I would therefore ask that the question be dropped.

Mr. SPEAKER: Dropped.

#### CANADIAN NATIONAL RAILWAY SECURITIES

Mr. TUCKER:

1. Have the railway obligations or securities against which $16,000,000 of dominion notes were issued pursuant to authority contained in "An act respecting the issue of dominion notes," statutes of Canada, 1915, chapter 4, been paid?

2. If so, when were they paid?

3. How much interest, if any, has been paid on said securities to date?

4. To whom was such interest paid?

Mr. DUNNING:

1. No.

2. Answered by 1.

3. Interest paid by the Canadian Northern Railway Company and the Grand Trunk Pacific Railway Company on advances secured by the obligations referred to amounted to $2,327,945.23.

4. Receiver General of Canada.

#### FARM LOAN BOARD, REGINA

Mr. PERLEY (Qu'Appelle):

1. Who was the first appointed to take charge of the farm loan board in Regina, Saskatchewan?

2. Was he a returned soldier?
3. How long did he continue in office?
4. Were his services satisfactory?
5. Who is now in charge of said office?
6. Is he a returned soldier?
7. Has any change in salary been made?
8. If so, when was such change in salary made?
9. By whom was the present officer recommended?

Mr. DUNNING:

1. J. F. Anderson, Regina, Saskatchewan.
2. Yes.
3. From May 16, 1935 to March 10, 1936.
4. Not entirely; in reorganizing the work of the board he was retired as in the best interests of the board.
5. R. S. Rideout, Regina, Saskatchewan.
6. No.
7. No.
8. See answer 7.
9. Appointment was made in accordance with the provisions of the Canadian Farm Loan Act following his application for the position.

CREW OF STEAMER GRENVILLE

Mr. CHURCH:

1. What members of the crew of the steamer Grenville at Prescott, engaged in lighthouse work on the St. Lawrence and lake Ontario, and the great lakes, were dismissed since October 14, 1935?
2. By whom were they replaced?
3. What previous experience had the new appointees for this work?
4. (a) What are the home addresses of the present members of the crew; (b) by whom were they recommended?
5. What notices, by telegram, letter or otherwise, were given to the members of last year's crew to report for duty?
6. Were any of said notices cancelled?
7. Has any member of the crew been dismissed since the opening of the navigation season?

Mr. HOWE:

1. First and second engineer.
2. Chief Engineer H. I. Myers replaced by George Jarrell. Second Engineer W. E. Godkin replaced by George Mortlock.
3. The new appointees possess the necessary certificates of competency.
4. (a) Three from Prescott; thirteen from Kingston; one from Spencerville; one from Brockville.

(b) They were appointed on instructions issued by the department.

5. Acting superintendent instructed by letter of the 5th ultimo to recall the first and second engineers, two oilers, three firemen to commence duty on the 10th of March, on the understanding that these appointments were to be of a temporary nature.
6. Yes.
7. Yes.

[Mr. E. E. Perley.]

ROYAL CANADIAN MOUNTED POLICE

Mr. PERLEY (Qu'Appelle):

1. Was there a regulation in force on the first day of October, 1935, fixing a retiring age for surgeons in the Royal Canadian Mounted Police?
2. Has there been any amendment of such regulation? If so, what were the amendments, and when were they enacted?
3. Who was the Royal Canadian Mounted Police surgeon at Regina on the first day of November, 1935?
4. Is the position still occupied by the same person?
5. If a new appointment has been made, what is: (a) the name of the appointee; (b) the date of his appointment; (c) his salary or remuneration; (d) his age?

Mr. CARDIN:

1. Yes, for regular uniformed surgeons, but not for "part-time" surgeons.
2. No.
3. There was no regular uniformed police surgeon at Regina on the first day of November, 1935, and there has been none since the 28th February, 1934—the last uniformed surgeon having been retired on the 27th February, 1934. Since that time, "part-time" surgeons only, or acting assistant surgeons, have been appointed, and these have no status for superannuation or retirement, and are appointed on a month to month basis. The "part-time" surgeon, or acting assistant surgeon at Regina, on the 1st May, 1935, was Dr. S. E. Moore, M.B., M.D., F.R.C.S., (C).
4. Answered in part by No. 3. Dr. Moore is not the "part-time," or acting surgeon, at Regina at present.
5. The "part-time" surgeon, or acting assistant surgeon, at Regina, at the present date is:

(a) Dr. W. A. Thomson.
(b) Date of appointment—6th April, 1936.
(c) Salary—$150 per month.
(d) Age—No information.

AMHERST RURAL ROUTE NO. 4

Mr. BROOKS:

1. Were tenders invited during the year 1935 for performing the service on Amherst, Nova Scotia, rural route No. 4; if so, was a contract entered into, and with what person and upon what terms?
2. What are the names of those who submitted tenders, and the amount of each tender?
3. If tenders were called and no contract entered into, why was no contract awarded?
4. When was the last contract terminated, and is the person who had such contract at present conducting the service; if not, why?
5. Who is at present performing the service and upon what terms?

Mr. ELLIOTT (Middlesex):

1. Tenders were invited but contract not yet awarded.

2. Contract arrangements not having been completed it is not considered in the public interest to give this information until new contract has been executed.

3. On account of doubt as to ability of lowest tenderer to give satisfactory service.

4. December 31, 1935. No. Mr. Ackles, former mail contractor, refused to continue service temporarily for short period beyond that date.

5. Douglas Baxter, temporary, at the rate of $110 per month.

FURNITURE IMPORTATIONS

Mr. EDWARDS:

What was the value of furniture imported into Canada from the United States during each of the months of January, February and March, 1935, and during each of the same months in 1936?

Mr. ILSLEY:

Imports of Furniture from the United States Entered for Consumption in Canada During the Months of January, February and March, 1935 and 1936

| Item | Month | 1935 | 1936 |
|---|---|---|---|
| Furniture, house, office, cabinet or store furniture of wood or other material, n.o.p., in parts or finished | January | $18,673 | $33,809 |
| | February | 19,990 | 56,707 |
| | March | 33,982 | 59,404 |
| Furniture, house, office, cabinet or store, of metal, in parts or finished | January | 10,910 | 17,142 |
| | February | 12,884 | 23,270 |
| | March | 17,983 | 32,329 |

## QUESTIONS PASSED AS ORDERS FOR RETURNS

LEAGUE OF NATIONS

Mr. CHURCH:

1. What were the yearly expenditures by Canada on the League of Nations from 1920 to 1936, inclusive?

2. Except by the covenants to the League of Nations, what treaties or undertakings has Canada made to date with foreign powers as a nation which involve supplying armed resistance in certain cases, either separately or as a member of the British empire?

3. Has the government any information to give the house about any proposals made to reorganize the league with a view of making it a more practical agency for peace and security to meet changed conditions so as to adjust the league to modern 1936 conditions and increase its usefulness by the admission of the United States, Japan, Germany and Russia, as members thereof?

4. Will any additional papers or other material about the league or the European situation, since the white paper, of February last, be laid on the table of the house?

5. Is it proposed to send special delegates with no training as ambassadors for 1936 meetings of the league; if so, and if the delegates have been chosen, who are they, and what reports do these outside representatives make and to whom?

PURCHASE OF TURKEYS

Mr. WERMENLINGER:

1. Since the change of government, did the Department of National Defence or the Department of Labour purchase a number of turkeys during the last Christmas season?

2. If so, to whom was the contract given?

3. What was the price?

4. Were tenders called for?

5. If so, what were the names of the tenderers?

## MOTIONS FOR PAPERS

ORDER IN COUNCIL NO. 2238

Mr. MULOCK (for Mr. Maybank:

For a copy of order in council No. 2238.

RAILWAYS—SAND BLASTING OPERATIONS

Mr. BETTS (for Mr. Church):

For a copy of all correspondence, letters, agreements or any other written material between the government of Canada or any officer thereof and the Brotherhood Railway Carmen of America (Canadian division), protesting against the use of sand blasting processes because of the fatal results to operators of these apparatus, during the year 1934 and 1935; to include a copy of any report made by the federal Department of Health regarding this process and as to the great loss of life from a disease known as silicosis, caused by inhaling the dust from the sand blasting operations.

A. GODBOUT

Mr. LAWSON:

For a copy of all letters, correspondence, telegrams and other documents in the possession of the Post Office Department relative to the dismissal of Mr. A. Godbout, former postmaster of La Durantaye, county of Bellechasse, Quebec.

IMMIGRATION

Mr. SYLVESTRE (for Mr. Jean):

For a copy of all orders in council passed since January 1, 1936, authorizing the entry of immigrants to Canada.

PHILIPPE CHALIFOUR

Mr. LENNARD (for Mr. Wermenlinger):

For a copy of all correspondence, telegrams, letters and other documents in the possession of the Department of Marine, with reference to the dismissal of Philippe Chalifour, labourer for the said department at Quebec, dated from October, 1935, to date.

WHEAT CROP EQUALIZATION PAYMENTS ACT

Mr. MUTCH (for Mr. Maybank):

For a return showing: (1) The name, address and calling of every person, firm, corporation, etc., other than a primary producer of grain, receiving any payment of money under the provisions of the 1930 Wheat Crop Equalization Payments Act; (2) the amount of wheat for which each of such payments was made; (3) the reason for such payment being made, whether as a result of an assignment by a primary producer or otherwise; (4) the name and address of each primary producer as a result of whose assignment any such moneys as aforesaid were paid.

Mr. GARDINER: The same thing applies to this motion as was said in connection with the question to which I spoke a few moments ago, and it will apply also to the following motion. It would be impossible for the government to accept these motions in their present form.

Motion dropped.

Mr. MUTCH (for Mr. Maybank):

For a return showing: (1) The name, address and calling of every person, firm, corporation, etc., other than a primary producer of grain, receiving any payment of money under the provisions of the 1930 Wheat Crop Equalization Payments Act; (2) the amount of coarse grains for which each of such payments was made; (3) the reason for such payment being made, whether as a result of an assignment by a primary producer or otherwise; (4) the name and address of each primary producer as a result of whose assignment any such moneys as aforesaid were paid.

Mr. GARDINER: The same applies here.

Motion dropped.

## BUSINESS OF THE HOUSE

FURTHER LEGISLATION—PROBABLE DATE OF BUDGET

On the orders of the day.

Right Hon. R. B. BENNETT (Leader of the Opposition): Is the Prime Minister (Mr. Mackenzie King) in a position to indicate first, what further legislation we may be called upon to consider, and, second, when we may expect the budget?

[Mr. Lawson.]

Right Hon. W. L. MACKENZIE KING (Prime Minister): I may say I expected my right hon. friend to ask this question, and as I am anxious to give as final a list as possible of the measures to be presented to the house, I should like to have another day or two before replying to his question. As to the date of the budget, I understand the Minister of Finance (Mr. Dunning) has been endeavouring to arrange matters so as to bring it down at an early date, and perhaps he can state to the house how soon he thinks that will be.

Hon. CHARLES A. DUNNING (Minister of Finance): I think I shall be in a better position to answer that in a day or two. I also have my troubles.

## CANADIAN NATIONAL RAILWAYS

PROVISION FOR ADMINISTRATION BY BOARD OF DIRECTORS APPOINTED BY GOVERNOR IN COUNCIL

Hon. C. D. HOWE (Minister of Railways and Canals) moved the second reading of Bill No. 21, to amend the Canadian National-Canadian Pacific Act, 1933.

He said: Mr. Speaker, in bringing down this measure I feel I am sponsoring a most important and necessary piece of legislation. It is common knowledge that the three directors to whom the direction of the railways was entrusted as a result of the 1933 act have made no real progress toward the improvement of our railway situation. To date they have failed to achieve any substantial cooperative economies, to secure which was the principal object of their appointment and the outstanding feature of the 1933 legislation. Not only have they failed to secure any substantial results to date, but on their own published statements, the prospect of future results from cooperative measures, plans and arrangements is not bright. Nor have they been able to reduce to any great extent Canadian National operating costs, due to the fact that that avenue had been so thoroughly explored by the previous boards of directors. I shall in a few moments support these statements by citations from the reports of the trustees themselves. That is the external situation.

Internally, as most hon. members are probably aware, there is much unrest among Canadian National employees who everywhere appear to regard the trustee method of direction and control with distrust and suspicion. This is primarily due to the fact that in matters of actual management the chief operating officer with the titular rank of president is subordinated to a trustee

board of three laymen, inexperienced in railway problems and who know nothing of actual railway practice, and, as a result, have shown a complete lack of understanding of the human element which, under prevailing conditions, enters so largely into successful railway operation. In talking over the situation with the trustees themselves I cannot find that any one of them believes that the present system of management is a good one. As things stand the trustee board is responsible to no one, is apparently without a policy, and, so far as public relations are concerned, is without even a voice. In addition, there is, to put it mildly, serious lack of agreement among the trustees themselves, and the fate of any measure with which they must deal depends upon whether one of the other trustees can be brought to agree with the views of the chairman, who is vested with overriding authority in that a majority vote of the trustees is ineffective unless the chairman be included in that majority.

That the trustee arrangement would not work was clearly recognized by the Liberal opposition when the 1933 bill was under debate in this chamber. At that time the present Prime Minister (Mr. Mackenzie King) took the ground that a ministry could not divest itself of responsibility for the direction and control of the Canadian National Railways, as was contemplated by the act, nor could parliament abrogate its duty. However, the 1933 bill became law and the government of the day set up the trustee form of management and direction largely on the basis of the existence of what was described as a "receivership situation" with respect to the national lines, the object of which was to bring about "an equilibrium between income and expenditure" and restore the railway to a position where it could earn its way.

Two years have passed since the trustees were given complete authority to accomplish this most desirable aim, and I doubt whether anyone in this house will assert that what has been accomplished by the trustee form of direction and control could not have been accomplished equally well if not better by the board of directors who were displaced by the trustees.

In 1933 Canadian National revenues touched an all time low. Such increase in operating surplus as has resulted since 1933 has been due to increase in traffic or to economies introduced by the displaced board of directors rather than to improvements in administrative policy or practice inaugurated by the trustees. As a matter of fact, the former boards of directors had done very good work in the curtailment of expenditures and the adoption of measures of economy before the board of trustees appeared on the scene. That they had been efficient in that respect is shown by the following extract from the annual report issued by the board of trustees for the year 1934 at the end of their first year in office:

> During the year studies have been made in numerous directions in the effort to secure the maximum economy in the operation of all departments. The severe decline in gross revenue had made it imperative that all opportunities for economy be closely examined and re-examined, and the drastic curtailment of all expenditures effected prior to 1934 testifies to the vigorous steps taken. Further economies necessarily became difficult to secure if the efficiency of the service was to be maintained.

As to "cooperative measures, plans and arrangements," the board of trustees require 2,000 words to explain why more had not been accomplished. The Canadian Pacific covered the same ground in 250 words of the directors' report, which concluded as follows:

> The total annual joint economy secured by the two companies from the measures put into effect up to the end of 1934 is estimated to be $1,220,510.

That estimate has by the 1935 report of the Canadian Pacific Railway been placed at $1,600,000, one half of which will accrue to each company. That sum includes the economies secured by the former board of directors, as the two railways did not wait for the 1933 bill to become law before taking action in the matter of joint economies. As to this I will quote the following brief extracts from the annual report of the Canadian National Railways for that year, 1933, addressed to the board of trustees by Mr. Hungerford, as acting president, and forwarded by the trustees to the Minister of Railways for presentation to parliament:

> In accordance with the expressed desire of parliament, the managements of the Canadian National and Canadian Pacific railways took action in November 1932 toward effecting cooperative economies before the enactment of the Canadian National-Canadian Pacific Act of 1933. Results so far accomplished are evidenced in the partial pooling of passenger train services between Montreal and Toronto and Ottawa and Toronto. Other economies have resulted from arrangements for joint operations, such as switching, car cleaning and freight shed operation at a number of points where duplication existed, as well as the hauling of traffic by one railway for the other. Many similar projects are under study.

In view of the meagre results it is not surprising that the trustees thought it necessary to include in their 1934 report the following explanation as to why greater results had not been secured:

> Joint examination of many projects which superficially appeared capable of yielding co-

operative economies showed that the economies to be derived are not commensurate with the capital expenditures necessary to bring them about, or that under present conditions no economy would result, a condition fundamentally due to the fact that measures already taken individually by each railroad to meet the conditions imposed by the depression had curtailed services to an irreducible minimum.

Since the present bill was drafted the annual report of Canadian National Railways for the year 1935 has been brought down. This report deals at great length with cooperative measures, plans and arrangements by the Canadian National and Canadian Pacific railways, and once more the trustees are unable to report any substantial progress. They refer to the large amount of "investigational work" by joint committees of the two companies, but "the amount of preliminary detail has proved to be so great that no additional cooperative measures have been made effective." The report states however that the research work "has indicated possibilities of further economies, more particularly in the matter of functionally duplicate line abandonments and joint facility arrangements, and efforts are now being concentrated along these lines." To quote from the 1935 report:

> The question of further extending the area of passenger train pooling has been under study during the past year by the joint technical committee and conclusion has been reached that the economy possible of attainment at this time is not sufficient to warrant the expenditure of capital required to make the principal passenger train terminals suitable for joint use and to offset disruption in traffic which would necessarily be involved.

Similarly the trustees report inability, for reasons which they cite, to reduce the number of city ticket offices maintained by the two companies, and then go on to state that the United States legislation of 1933, the general purpose of which was similar to the Canadian act of that year, had failed to produce any definite coordination measures to date:

> This further evidences the difficulties inherent in bringing such measures into effect. The British railways met with similar difficulties.

The trustees return to the subject towards the conclusion of their report, when they state:

> Some further economy from cooperative measures may be expected but cooperative economy is a most difficult process when maintenance expenditures and train and car mileage have been so drastically reduced. It is becoming increasingly certain that any substantial improvement in net earnings can be secured in no other way than by increased volume of traffic and, in the opinion of the trustees, it is in the public interest that the way out of the present difficulties be found in an expansion of earnings rather than by way of a further curtailment of railway expenditures.

Two annual reports from the Canadian National trustees, but one continuous recitation of apologies for lack of success in applying the cooperative provisions of the 1933 act under which they were appointed. The results have been disappointing, and I venture to say they have been disappointing to the hon. gentlemen opposite who were responsible for the appointment of the trustees whose régime was intended to bring about an equilibrium between income and expenditure. The right hon. leader of the opposition himself evidently was not hopeful of the success of trustee direction and control, because toward the end of the late campaign he announced that it was proposed to undertake still another inquiry into transportation in Canada, including railways—the third in comparatively recent years. That proposal could scarcely be regarded as a vote of confidence in the ability of the trustees to do what was expected of them.

I think it can be shown also that the right hon. leader of the opposition himself had some reason to question the degree of authority which the 1933 act placed in the hands of the trustees, and there is evidence also that his Minister of Railways had reason to feel that his position had been rendered very unsatisfactory by the 1933 measure. I am brought to that conclusion by a perusal of statements made by the chairman of the board of trustees before the standing committee of this house which deals with Canadian National accounts and estimates, the recorded proceedings of which show that in the discussion of the recommendations of Touche and Company concerning the capital structure of the railway, no action had been taken by the trustees because of a certain letter received from the then Prime Minister.

Mr. BENNETT: That was all put on record later in this house.

Mr. HOWE: Quite. I do not want to dwell on that.

The Liberal opposition was not alone in expressing doubts as to the success of the 1933 legislation. The railwaymen of Canada, as represented by eighteen railway organizations, and the trades and labour congress, prepared an extensive memorandum of comments and recommendations which were placed before the senate committee which dealt with the 1933 legislation before it was brought into this chamber. These representations were to the effect that a board of trustees consisting of three persons would not be sufficient

properly to look after the affairs of so vast a property as the Canadian National system, and they recommended a board of at least five trustees. They were particularly concerned about the problems involving the human element, and considered that at least one member of the new board of trustees, regardless of its size, should be specially qualified to counsel in respect to these problems by reason of his experience and the confidence imposed in him by the railway employees. They pointed out that the policy had been recognized in the appointment of the previous directors by both Liberal and Conservative governments, and to that arrangement was attributed much of the loyalty and enthusiasm as well as the good relations between the management and the men on the Canadian National railways, which had been specially referred to in the Duff report. In the setting up of the board of trustees these views of railway labour were not considered.

Railway labour also objected to the veto power proposed to be vested in the chairman, which, it was felt, would in practice subject him to the temptation of dictatorship. It was regarded as too great a concentration of responsibility and authority in one man.

The difficulties foreseen by these railway representatives have been verified by actual experience. The board of trustees clearly is not representative enough, and the powers granted the chairman have endowed him practically with autocratic authority, the result of which is that, while you have a board of three trustees, it is really a one-man affair. In the circumstances the wonder is that others should be willing to accept appointment to the trustee board with their views and opinions discounted and even nullified in advance.

The reading of the recommendation of the Duff commission, with respect to the board of trustees, admits of no doubt as to the calibre of the men the royal commission had in mind for trusteeship:

> All should be persons of proved business skill and capacity;
>
> The chairman in particular should have financial, administrative and executive ability of a high order.

Those were the specifications laid down by the Duff commission. Possibly the recommendation was a counsel of perfection which the then government could not realize. Admittedly it is not easy to enlist the services of executives of that type, and although the 1933 legislation came into force on the first day of July of that year, the appointment of the trustee board was not made until the end of the year, when an order in council was passed appointing Honourable C. P. Fullerton, K.C., to be chairman, and Frederick K. Morrow, of Toronto, and J. Edouard Labelle, K.C., of Montreal, to be trustees—two lawyers, and the third a company director. Both the latter had had a couple of years' experience on the board of directors of Canadian National Railways, but the chairman had had no previous experience in railway management, and while he had no doubt very useful qualifications for the bench or for the board of railway commissioners, his training and experience did not suggest that he possessed the "financial, administrative and executive ability" specified by the royal commission as a prime requisite for chairmanship of the board of trustees. Into the hands of such a board of trustees the act of 1933 delivered the fortunes of the Canadian National Railways—a body of three laymen, only one of whom was permitted an effective voice; not one of the three having any knowledge of actual railway practice, or experience in the handling of the human element, which enters so largely into railway operation.

One of the first acts of this board of trustees was to carry out that provision of the 1933 bill which requires the appointment of a chief operating officer "with titular rank of president," responsible to, and reporting to, the board of trustees and to that board alone, and to pass a by-law setting out his duties. My reading of the legislation, and particularly of the Duff report on which it is based, leads me to believe that the legislation intended that the president should be the operating head of the railway, in fact as well as in name, but this, it seems, was not the view of the trustees. After I assumed office, the chairman himself gave me his interpretation of the legislation, which was that it was intended that the operating head should be president in name only and that his real position was intended to be that of vice-president of the operating department.

The "powers, authorities and duties" of the chief operating officer, with titular rank of president, were defined by by-law of the board of trustees of January 31, 1934, and practical railwaymen will appreciate the fact that in enumerating the duties of the president in the management of the railway's transportation and communication services, the by-law states—"including, for example, the fixing of time schedules and conditions in connection therewith."

Having assigned the fixing of time schedules to the chief operating officer, with the titular rank of president, the by-law further provided that his duties should include:

> The engaging and continuing in and discharging from employment, the personnel

required for such purposes, or any of them, and the fixing of the terms and conditions of such employment, all salaries to be approved by the chairman of the trustees. This authority, however, is not to cover the appointment of vice-presidents, general managers, secretary, treasurer, European agent, European secretary treasurer, or heads of departments.

Such a state of affairs as reserving to the board of trustees or the chairman of it the authority to reward by way of salary and promotion could have no other effect than to weaken the position of the president as chief operating officer. In general, the man holding the title of president—admittedly one of the ablest railway executives in North America, who, in his forty-five years of service with Canadian railways, has risen from the lowest to the highest rung in the railway ladder—has had his position reduced to that of adviser to the chairman, who has made himself the real operating head of the railway property.

The Duff report, paragraph 209, definitely recommended that "the responsibility for the direction and control of the system should be laid upon the chairman and his associate trustees," but it was also explicitly stated that under the chief operating officer with the titular rank of president "should be placed the entire working of the railway in detail." In conformity with this recommendation, section 10 of the 1933 act provided that the trustees should appoint:

> . . . on terms to be fixed by them and with the titular rank of president, a person other than one of themselves to execute and perform, under and in consultation with them, the powers, authorities and duties of chief operating officer of national railways, as such powers, authorities and duties shall be from time to time defined by by-law and resolution of the trustees and committed for execution and performance.

It seems to me that any reasonable man would assume from this that it was the intention that the trustees should confine themselves to matters of policy, particularly in the direction of economies, with respect to which they were specifically enjoined by parts II and III of the Trustee Act, and that the "financial, administrative and executive ability" required of the chairman should be devoted to matters of broad policy. On the other hand it seems obvious that the operation of the railway in all its details was intended to be placed in the hands of an experienced railroad executive.

This intention was obviously not apparent to the chairman of the trustees, who proceeded to divide the offices of the railway into two camps, one responsible to the chairman and the other to the president. In that division of offices the chairman took over for operation by himself the following departments: legal, finance and accounting, publicity, medical, colonization, land and property, secretary's branch, hotels and steamships, and assumed joint direction with the president over the purchasing and stores departments. The fact that the chairman was totally inexperienced in matters affecting any of these departments, except possibly the legal department, did not deter him in the least.

Under the president were placed the departments of traffic, operation and construction economic, personnel, investigation, industrial, express, telegraphs, office services, statistics and pass bureau.

Under this arrangement the chief operating officer of the railway has been deprived of contact with and authority over departments which are an important and essential part of railway operation, such as the law offices and the financial and accounting departments. The fact that he has no control of the publicity department may explain why in recent years Canadian National publicity has failed to place before the people of Canada many of the things that should have been made known with respect to Canadian National Railways.

Having indicated the directions in which the appointment of trustees has failed to realize the expectations associated with the 1933 bill, I will deal briefly with the general provisions of the amendments to the act as contained in the bill now under consideration. I appreciate that consideration of the details of the bill will come in committee of the whole on the bill. However, it is sufficient, perhaps, to say that the present bill does not change the intent and purpose of the 1933 measure other than to the extent necessary to provide for the substitution of a board of seven directors for the present board of three trustees. Some explanation is in order as to why the number is fixed at seven. To limit the directors to three, as in the case of the trustees, would be to invite a repetition of some of the present difficulties, as even were each of the three to be accorded equal voice and vote there would be too great a centralization of authority in the direction of so vast an organization. The Drayton-Acworth recommendation of 1917 was for five trustees, including three railway members, one member to be selected on the ground of business and financial experience, and one as specially possessing the confidence of railway employees.

The Canadian National Railway Act of 1919 provided for a board of not less than five and not more than fifteen directors. That act was amended in 1931 to provide for two additional directors, making seventeen in all. The contact of such a widely scattered directorate, meeting monthly, was found to

be not sufficiently direct and continuous. To improve matters, an executive committee of six directors within easy reach of Montreal was set up in 1927; increased to seven in 1930, and to eight in 1931, when a finance committee of three directors (members of the executive committee) was also established. I mention these matters to show that the former directorate was found in practice to be unwieldy and cumbersome, and that an effort had been made to improve matters by centralizing the executive direction and control in the hands of a committee approximating in numbers those provided for by the present bill. The number is small enough to permit selection of men of proven worth and outstanding ability, and large enough to bring a variety of experience to bear upon important railway problems.

The present bill provides that the governor in council shall appoint the directors and also appoint one of their number to be chairman. A majority of the directors will govern, instead of the present trustee provision that the vote of the chairman is required before a decision can pass. This government will make a strong effort to secure men of "proven business skill and capacity," and it is intended to return to the practice, departed from in the case of the trustees, of placing on the board an outstanding representative of organized labour. It is the intention of the government to appoint as chairman a trained and experienced railway man, one not only thoroughly conversant with the Canadian National railway system and its problems but one who understands the human element, which enters so largely into successful railway operation.

It is not the intention to reappoint the deputy minister of railways to the board of directors. If it were considered desirable to do so, the present deputy minister of railways has very excellent qualifications for the post, by training and experience not only with the Canadian National, but with other railways, and as a professor of transportation at McGill for some years. The decision of the government, therefore, involves no reflection upon the present deputy minister of railways, but merely indicates that the government intends to appoint a board of directors and then permit it to function without necessity to have regard to the presence at the directors' table of one who may be assumed to represent the view of the government upon such matters as may be under discussion, as to which the government is properly concerned with policy only. The government intends to see to it that the directors are in a position to discuss freely and among themselves any and all matters coming before them.

The government believe, however, that it is very necessary for the Minister of Railways to work in harmony and in close contact with the chairman of the board of directors because of the problems that constantly arise as affecting government and railway policy, which matters cannot be dealt with adequately by the directors unless they know authoritatively the policy and intention of the government with respect to the matter at issue. The government will not again be satisfied to be wise after the event. If it is obliged to carry responsibility for the national railways, as it must, it is necessary that it should be in close touch with railway policy and have a voice in the shaping of that policy, as it is the government which must find the money for railway purposes. Whatever contact with the board may be necessary to keep the government in touch with railway policy and the railway property will, therefore, be as between the chairman of the board of directors and the Minister of Railways direct.

The government have given careful thought to the question of tenure of the board of directors. As to that there are a number of considerations involved. For the board of trustees the Duff commission recommended a tenure of seven years, with provision for a measure of continuity by staggering the terms of the initial appointees. The 1933 act restricted the tenure to five years, and for purposes of continuity the chairman was appointed for five, Mr. Morrow for four, and Mr. Labelle for three years. It is the intention of the present bill to establish a tenure of three years, and three of the original directors will be appointed for that term, two for two years, and two for one year terms; subsequent appointments of all to be for three year periods. In this way provision is made for necessary continuity by annual rotation of a portion of the board, which is the practice followed by many large corporations, notably the Canadian Pacific Railway. All appointments to the board will of course be by the governor in council, but it is hoped that reasonable permanency will be assured by the modified tenure proposed, and by the process of rotation, but most of all through the outstanding merit of the appointments to be made.

As to executive direction, I may say quite frankly that the government can see a certain merit in having the office of chairman held by one man and the office of president held by another, provided the president is made

the real operating head of the railway, and provided the president and chairman can work in complete harmony, with the president attending to all matters of operation and the chairman confining himself to matters of policy and public relations. Therefore provision is being made in this legislation for combining the offices of chairman and president, and for the separating of the two offices as the directors may decide and as personnel available for these two important offices will permit. It is felt that best results can be obtained if the chairman himself could be allowed to train and develop the man who will occupy the office of president, and it is therefore intended that the two offices shall be combined until such time as it is reasonably certain that they can be divided without endangering the operating efficiency of the railway.

I am aware that the Duff commission did not recommend the appointment of a present officer of the Canadian National Railways to the post of chairman, or as trustee; also that the commission recommended that any senator, member of parliament or former office holder be disqualified for appointment as trustee. Appointment of senators or members would scarcely be urged, but in other respects it seems to me that the action of the royal commission was contrary to well established precedent and the rules of common sense. Most of the successful industries in Canada or elsewhere are headed by a chief executive who grew up with the business. It sometimes happens that a business does not produce an executive who is competent to direct its policies, and that an outsider has to be brought in, but almost invariably this outsider is one trained in the same line of business. Fortunately Canadian National Railways have a man who is not only outstanding as a railway executive but has the respect of the Canadian people and of railway labour, and the confidence of this government. The 1933 legislation eliminated that part of the Duff report which specifically debarred holders or former holders of public office; the present bill removes the disability which would operate against employees of Canadian National Railways in the selection of chief executive.

The present bill provides for the approval of the governor in council, when by law approval of the shareholders of a company is required, instead of dispensing with any such approval by either the governor in council or shareholders, as was done in the 1933 bill. This is but right and proper, as the government are the elected representatives of the owners of the national railways, and there can be no question as to the mandate.

[Mr. Howe.]

The act of 1933 was in four parts. Part I dealt with the trustees, and hon. gentlemen will note that the amendments contained in the proposed bill have to do almost entirely with this part of the 1933 measure, and are intended to effect a substitution of a board of seven directors for the board of three trustees.

Part II of the 1933 act enjoins upon the two railways the duty of attempting "forthwith to agree and continuously to endeavour to agree" upon "cooperative measures, plans and arrangements." I have already dealt at length with the failure of the trustees, on their own admission, to achieve any great result under this section. They are not very hopeful of further economies, but tell us that the field of cooperative effort is still being explored, and if there still remain possibilities of worth while savings through cooperative efforts it is the desire of the government that they be secured. Before passing judgment on the practicability of Part II, it would, I think, be well to have the situation reviewed by the board of directors which will succeed the trustees. The substitution of the word "directors" for the word "trustees" is therefore the only change made in Part II of the 1933 act.

Part III of the act provides for compulsory arbitration by the chief commissioner of the board of railway commissioners. While Part III has never been invoked, and it is rather unlikely that it will be, we are leaving that in the act.

Part IV of the 1933 act definitely provides against amalgamation of the two railways, or unified management and control, and that feature is also being reenacted without change.

I have dealt somewhat fully with the difference between the board of directors as now proposed and the board of trustees. In case it may be suggested that the present bill returns the Canadian National Railways to the same form of direction that obtained under the late Sir Henry Thornton, I would point out that the situation is materially different. Sir Henry Thornton as managing head had a direct contract with the government, the last one covering a five year period. He therefore spoke with the voice of the government. The Department of Railways maintained a connection with the Thornton board in the person of the deputy minister, and was thus in a position to influence the board and the managing head—who was also chairman and president, by election—whether on matters of high government policy, or on matters of operation, with which the government properly was not concerned.

The present bill is intended to afford a much greater measure of autonomy to the chairman and board of directors. There will be no one at the directors' table other than the seven directors themselves. Such contact between the government and the board as may be necessary in the public interest will be provided by conference between the chairman and the Minister of Railways as and when questions arise where the intentions of the railway should be made known to the government and the views of the government should be declared to the directors. There will be no question about that contact or the medium of it. It is in effect the essence of the present legislation, for reasons already adduced, which it is not necessary to repeat.

The new board will differ from previous boards also in other important respects. The contact of the former boards of directors was casual rather than continuous, and it is proposed that the coming board shall take a much more active and effective part in the administration of the affairs of the railway.

Benefiting from past experience, the government will avoid the mistake of appointing too elaborate a board, with its invitation to political and public pressure, which the Duff commission reprehended. It will in the first instance appoint the chairman and president in one person. As and when a president, other than one of the directors, is chosen chief executive officer, he will be appointed by the board, subject to the approval of the governor in council. The directors and salaried officers will be each paid but a single remuneration, no matter how many subsidiary boards of the Canadian National system they may find themselves on. The present bill is thus not intended to reestablish the old order.

May I add that in my opinion the provisions of this proposed bill are of great importance. There can be no doubt that this government has a mandate to do its utmost to improve the operating position of Canadian National Railways so that there may be an end to the deficits that are so harmful to the credit of Canada. In this it must have the assistance and cooperation of an executive possessed of all the ability and experience that can be brought to bear upon the problem. Unfortunately the trustees have not been able to bring to bear either the ability or the experience contemplated by the Duff commission. No doubt they have done their best, but that best falls far short of the Duff commission concept of the administrative requirements of the national lines, and in the making of the appointments the late government either lost sight of the commission's recommendations or were unable to secure men of the calibre the Duff commission had in mind when it advised that all three trustees should be persons of proved business skill and capacity, and that the chairman in particular should have financial, administrative and executive ability of a high order. The chairmanship was the key post, and failure at that point has been fatal to the success of the trustee plan as a whole. That failure has been aggravated by the inability of the chairman properly to interpret his own duties and responsibilities in the light of either the 1933 act or the Duff report. The act called for the appointment of a chief operating officer other than one of the trustees, but in practice we find the chairman of the board of trustees usurping powers appertaining to the chief operating officer, in whose hands the Duff report recommended should be placed the entire working of the railway. There has thus been a progressive departure all down the line from the high ideals of direction and management contemplated by the Duff commission, and it has been amply demonstrated that the board of trustees, regardless of intentions, is incapable of meeting the situation, and that their lack of knowledge of railway administration acts as a wet blanket and dampens the ardour and enthusiasm of a railway staff which in former days distinguished itself, and which, properly led, will be able to go on to still greater achievements. To be effective, reorganization of the railway management must start from the top, but without the legislation now proposed this government will be helpless to effect the reforms so obviously needed

I have attempted to deal with the situation fairly and to present this measure in such a manner as to command consideration on its merits, divorced from any considerations of party advantage. Such criticism as I have directed to the working out of the 1933 measure has, I hope, been reasonably void of offence to hon. gentlemen who, three years ago, attempted in good faith to give effect to the recommendations of the royal commission. That those plans and arrangements have failed to effect the purpose intended is not a matter of gratification on the part of anybody. As already expressed, it is my personal belief, after close study and investigation, that the trustee plan is unworkable, and that it has shown itself to be so. I believe that the proposals contained in the present bill, in which, as it should be, account is taken of past mistakes, we have a much better plan, one much more in keeping with the principles of responsible government, and for which, in conclusion, I would request the careful consideration of hon. members on both sides of the house, having

regard to the fact that the railway problem is not a party question, nor ought it to be, but a matter of business of vital concern to every Canadian citizen.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, the temptation to follow the political address of the hon. gentleman who has just taken his seat (Mr. Howe) is very great. The first few minutes of his speech was of such an acrimonious and political character that I find it difficult to recall myself to the duty which I owe to myself and the country, which far transcends in importance the answering of the speech to which we have just listened. To indict a man upon his removal from office in his absence and without opportunity to be heard, has not been the usual practice in parliament. The statute that placed the chairman in office provides for his removal. It provides that he can be removed only by joint address of both houses of parliament, which, of course, involves an opportunity for him to give his defence against any charges which might be preferred against him.

The minister has seen fit this afternoon to make a series of charges against the chairman, some of which, if warranted by facts, would entirely support a charge being laid against the chairman under the provisions of the section providing for his removal. There is, however, a committee appointed by this house which will have to consider the Canadian National Railway accounts for the past year, and I suggest to the minister that if he expects to get far with this bill the first thing he must do is to call that committee together at the earliest possible moment to afford the chairman an opportunity of presenting his defence in respect of the charges that have been made against him.

So far as the other phase of this matter is concerned, ample reasons were given why, if I were so minded, I should bring to the attention of this house and the country conditions that I think would place the responsibility for the operating situation and the financial position to which the hon. gentleman referred, upon those who were responsible for the creation of the systems of railways in addition to the Canadian Pacific Railway which have brought ruin to this country at the moment. But I content myself with the realization that at the moment I have a responsibility far greater than that. I shall endeavour to discuss this matter as best I can without suggesting responsibility on the part of those now in office or dealing at all with the question of responsibility. I shall endeavour to discuss this terrible situation so far as the railways are concerned as a condition and not a theory, a condition that must be grappled with and must be met if the solvency of this country is to be maintained.

During the five long and weary years of world depression, when the trade of the world had fallen to only thirty per cent of what it was before the depression began—not simply a thirty per cent diminution in trade but a drop in world trade to only thirty per cent of what it was before the depression, and at the darkest moment the figure was 33⅓ per cent—the one great problem that the government of this country had to consider, in addition to the general financial situation and the internal situation of its people, had to do with railway conditions.

I am going to do what is perhaps an unusual thing. In view of the correspondence and the articles that are appearing in the newspapers it is quite clear to me that the people have not had an opportunity to read the report of the so-called Duff commission or to appreciate the facts to which it directs attention. I shall therefore place upon Hansard extracts from that report in order that those who now read at least short résumés of what takes place in parliament will have a clear appreciation and understanding of the facts as found by that commission. But before doing so, instead of reviewing the circumstances that brought about the three transcontinental railway systems, now merged into two, I point out that a commission was appointed, the Drayton-Acworth commission, to consider the railway situation and to make a report to the minister. But in 1931 it became apparent that the railway situation was one of extreme gravity. It became more apparent, shall I say, than ever before because of the reports made by the then chairman, Sir Henry Thornton, to which I shall direct attention presently, as his remarks were recorded and made part of the report, and because of the observations made by the president of the Canadian Pacific Railway Company. Both were of the opinion that the government should set up a commission to investigate and study the situation. The reasons they gave were not identical, but they at least reached the same conclusion, namely, that a commission should be appointed to investigate the whole situation for the purpose of seeing what might be done, but not for the purpose of bringing about an equilibrium between income and expenditure within a few months; because no one in those days, any more than does the government of to-day, contemplated the possibility of bringing about that desired end. The very fact that the government the other day desired

to make provision for deficits on the Canadian National Railways for the year 1936 indicates that in accordance with the opinion of those responsible for administration the Minister of Finance anticipates there will be a deficit in the Canadian National railway undertaking during the current year. No one in 1931 had any opinion other than that. I concluded, after discusisng the matter with my colleagues at some length on many occasions that it would be desirable to appoint a commission.

The personnel of the commission gave us much difficulty. It is not an easy thing to secure a commission of men who have a clear insight into and understanding of the problems to be dealt with by any commission studying the transportation problem in Canada. We realized that practically the whole of the Canadian Pacific four per cent perpetual debenture stock, and its preference stock, as well as a large share of its common stock, was held in Great Britain. We realized that a very large volume of the securities issued by the Canadian National system when it consisted of the Canadian Northern and the Grand Trunk were held in Great Britain and that there should be on that commission some person whose domicile or home was in Great Britain and who had a clear and, shall I say, comprehensive understanding of the problems connected with transportation and with finance as related to transportation. We were fortunate in securing the services of Lord Ashfield, who was born in the United States and trained in transportation at Detroit, Michigan, and elsewhere in the United States. Finally he had been entrusted with the enormous responsibility of consolidating the transportation services of the city of London and district, comprising the underground, the above ground and the on-the-ground lines, the street railway, the tube, and the bus. About that time he was concluding his efforts, as was indicated by a measure passed by the parliament of the united kingdom a short time afterwards. He decided to come, not because he desired to come but because he believed it was a public duty, having regard to the conditions that existed in this country and which were apparently fairly well known to everybody.

The chairmanship of the commission was very important, and we were fortunate in securing the services of the Chief Justice of Canada. The chief justice has been on the bench for many years, and so far as I know he has no political views, although at one time he was actively associated with the fortunes of the Liberal party in British Columbia. He has held high judicial office in that province and has made for himself an outstanding name among the great jurists of the world, of which I believe every Canadian is truly proud. Because of the lifelong experience he has had in sifting facts and applying legal principles, he has attained for himself a position equal to but not excelled by the great jurists of the British empire. I have heard this statement made by two gentlemen who were lord chancellors and by others who occupied positions of great responsibility as jurists in the United Kingdom. He undertook the chairmanship of this commission, thereby ensuring, I think, such complete impartiality of inquiry as can come only from one who understands the relationship of testimony and evidence and who is able to sift it and consider it in relation to the facts with which he has to deal.

It was important also that there should be upon the commission a representative of business in the large sense to which the minister has referred. We secured for that purpose the services of Sir Joseph Flavelle and Mr. Beaudry Leman, the latter general manager of the Banque Canadienne Nationale. In their realms of business activities both these gentlemen are held in the highest regard and esteem. Mr. Leman, who had the advantage of training as an engineer, brought to bear upon the problems presented to him the mind and skill not only of a trained engineer but of one who had had much experience in business and was able to appreciate the relation of the solution of the problem to the whole financial structure. Sir Joseph Flavelle has many enemies and many friends, but whatever may be the views of those who oppose or support him, I have never yet met a person who was not prepared to admit the power of his intellect and the strength of his mental equipment in dealing with problems and matters of business. He had had some experience, for he had been chairman of the Grand Trunk Canadian board.

It was felt that we should have a railway man not a Canadian and it was a difficult problem to secure the services of a railway man on the American continent. It is well known that an effort was made to secure the services of the presidents of two of the largest transcontinental systems. They were not available, and we were recommended to apply to the president of the Delaware and Hudson railway. This is not a large railway system, but it is one which has been successful during these dark days. Mr. Loree had made for himself amongst the captains of industry in the neighbouring republic and the great railway executives of the transcontinental systems a reputation that warranted our relying

upon him in dealing with problems of this kind. He was good enough to undertake that responsibility.

We felt that it was desirable to have on the commission someone from the maritime provinces who was not actively engaged in political warfare but who knew something of the history and development of the maritimes and their relation to the general picture so far as railways were concerned. We asked Doctor Webster to accept, and he expressed a willingness to do so. In his youth he was a distinguished student, a graduate of one of the smaller universities in the maritimes. In his work in the medical department of the great university of Edinburgh he attained a position of prominence which enabled him a little later to become one of the foremost in his branch of medical science in the city of Chicago. When fortune had smiled upon him and he had reached the age at which it is said a great physician intimated a man should retire, instead of retiring to easier circumstances, as some men might do, he came back to his native province where he has rendered distinguished service to his country through his public activities and public service.

Doctor Murray has been the president of Saskatchewan university since its inception and has a knowledge of Canada not excelled by anyone. He was a Gilchrist scholar and a professor of repute. To these gentlemen we entrusted the inquiry as outlined by order in council dated November 20, 1931. May I for a moment direct attention to what they did? I am going to read extensively from their report—although such a practice is sometimes burdensome—in an effort to bring it to the attention of the Canadian people. They reported:

> In the course of our investigations we have held eighteen sittings, occupying fifty days altogether, and have travelled over most of the main line mileage of the two chief railway systems. Throughout our journeys we were accompanied by the responsible officials of both railways, thus enjoying the advantage of almost constant discussion with them of matters relating to the inquiry, and of transportation problems more particularly affecting the territories traversed. Our itinerary included the principal centres of the various provinces, with the exception of Prince Edward Island, the only province of Canada in which railway competition may be said to be non-existant. In the case of Prince Edward Island the provincial government kindly indicated their willingness to transmit in writing any representations on the general question of transportation they might desire to make. With this exception we have had the benefit of direct conference with the government of each province, which has included, in most instances, a full statement by the provincial prime minister of any considerations of a special or local character affecting the subject of our inquiry. The expositions we have received in this way of provincial policy regarding highway construction and motor traffic have been comprehensive and valuable.
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> At all of the provincial capitals visited, and also at Vancouver, Calgary, Montreal and Saint John, we have conducted, in addition, public hearings, duly advertised, at which representations from public bodies, labour and transport organizations and private individuals were invited and received. A list of witnesses appearing, and of persons or organizations who have filed submissions, is included as an appendix to our report.

I shall content myself with laying this foundation, before I proceed to make reference to the findings of the commission, by saying to this house that I believe no commission more competent has ever been appointed in this country to make such an investigation. I do not believe the language of that statement is extravagant, nor is the fact important that they were appointed by the previous government. That statement is based upon the personnel of the commission, upon their industry and their desire in and concern for all that affected the welfare of this country as related to the problem of transportation.

I know that when the report was published there was a great deal of misapprehension on the part of many people, because I think I should say frankly to this house that an effort has been made to have it appear that from the day the late government took office until the last day it held office it was opposed to the Canadian National Railways. But those who will take the trouble to read the reports on the subject and the statutes of this country will realize that the Canadian National Railways came into being by virtue of the efforts made by the Union government under Sir Robert Borden, through the bill then submitted; and under and by virtue of the powers conferred by that bill upon the governor in council the final proclamation was made that merged into one system the Canadian Northern, in its various ramifications and interests, the Grand Trunk Pacific, the National Transcontinental and other lines. That proclamation was made by virtue of a statute which was piloted through the house of that day largely by Mr. Meighen. When it is said that this party or the late government was opposed to the Canadian National Railways I should like the country to understand that during a long period of five years, over sixty months of untiring effort to maintain its integrity, to provide money to pay its deficits and to enable it to function, during those long years the constant endeavour of the then government was, not to destroy but to maintain the system, not to lessen but to

improve its efficiency. But unfortunately—and I say unfortunately with very great deliberation—there was a school of thought in this country that believed that when you have to deal with a problem that vitally affects the very life of the country, if you can play politics with it, so much the better. In the west the Free Press constantly made the people believe that the approach of the government was an approach to destroy and not to support the system. The opposition of that day, now the government of the day, constantly tried to make it appear that the then government was endeavouring to destroy the road. Well, I can only say that, earnest and anxious as I am that the road should succeed to-day, under the control and direction if you will, as the minister says, of his government, even greater was the desire in those days that it should succeed. Why? Because unless it can succeed this country cannot maintain its solvency as a nation. Every thoughtful man in Canada knows that that is so, and this commission that dealt with it and found the facts upon which it predicated its recommendations realized as business men, as railway men, as security holders, as men interested in the maintenance of the credit of the country and of the railways, that unless some action were taken danger of a most grievous kind confronted us and might indeed lead to disaster. That is the reason I desire, with great effort, to refrain from making a political address this afternoon and to place on Hansard extracts from the report of that commission, in order that those who take the trouble to read what the minister has said or what is said by others in this house may realize that in the minds of the members of this commission the situation was dangerous, if not fraught with immediately possible disaster, and that action of the most drastic sort should be taken if we were to preserve the railway system as such and the credit and integrity of the country.

There was one thing the minister did not do this afternoon, and I shall anticipate it before I deal with the matter as it is referred to in this report. He did not deal with the fact that the difficulties to which reference had been made could be solved by taking up the rails and abandoning thousands of miles of railway. That is where politics comes in. Leaving out, if you will responsibility for the construction of the rails, there was the recommendation of the removal of rails and the abandonment of lines; and every time there was the slightest suggestion that anything of the kind was contemplated my friends opposite cried to high heaven that the people must be protected and that these lines must not be abandoned. That is but natural. The minister has not nor have I the power to lift the discussion entirely out of politics; it has been too closely connected with politics for twenty-five years. What was once the proud boast of a party has now become a dragging legacy that threatens the very life of the country; and when suggestions are made that there should be an abandonment of mileage, the party in opposition during the last five years expressed of course, upon the hustings and elsewhere, strong views on the problem; and I suppose that if the government of to-day undertakes to abandon lines it is expected that the opposition shall oppose that view.

Is it any wonder that we have a railway problem of this magnitude or that it will increase and finally end in disaster if we approach it as the minister did this afternoon in the early part of his address? I am going to refer to some of these paragraphs, because after perusing them the other day I realized that the people of this country had not any clear appreciation of the problem. If the hon. gentleman opposite speaks a little louder I shall be able to hear him; if he desires audibly to interrupt he might speak more moderately. I desire to point out that the early part of the report is but a résumé of the history of transportation in Canada in the early days. It requires nothing to be said except to indicate the vast sums expended on canals. I quote from paragraph 9:

> 9. The promise of railway construction formed an integral part not only of the confederation of 1867, but also of the terms upon which Prince Edward Island and British Columbia later entered the dominion. The obligation to the maritime provinces was discharged by building entirely at public cost, the Intercolonial Railway from Halifax, N.S. to the St. Lawrence at Rivière du Loup, by the construction of the Prince Edward Island Railway, and the provision of a train ferry between that island and the mainland.
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> 10. The agreement to connect British Columbia with eastern Canada by a railway from the Pacific ocean was fulfilled by the building of the Canadian Pacific Railway. Failing to interest private capital in this project the government undertook the work as a public enterprise. Later a syndicate, which afterwards developed into the Canadian Pacific Railway Company, entered into an arrangement with the government to construct this transcontinental line in ten years, from 1880 to 1890. The agreement provided that the country subsidize the company by a gift of twenty-five million dollars, twenty-five millions acres of land, and of the railway lines already constructed with public moneys at a cost exceeding thirty-seven million dollars.
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> 11. The company carried through its undertaking in five years in place of ten, during which time the government paid the Canadian

Pacific $10,189,521 for 6,793,000 acres of land relinquished by the company, and guaranteed securities of the company to an amount of $15,000,000 to assist its finances over a difficult period. The company paid the guaranteed bonds upon maturity, and the country was relieved from the responsibility of the guarantee.

12. Eighteen years after the completion of the Canadian Pacific, parliament (in 1903) authorized the building of the National Transcontinental Railway from Winnipeg, Manitoba, to Moncton, New Brunswick, as a part of the Grand Trunk Pacific project. In 1911, the construction of the Hudson Bay Railway was undertaken, also as a government enterprise.

The three railways, the Intercolonial (including the Prince Edward Island line), the National Transcontinental, and the Hudson Bay, embodying 4,650 miles, constructed exclusively with public moneys, have been operated by or on behalf of the government of Canada. While prior to 1917 the Intercolonial in certain years paid operating expenses, the three railways have earned nothing by way of interest upon the total investment, which, together with certain deficits on operation, now total $512,000,000.

Then comes the beginning of western railway construction.

Some years after completion of the Canadian Pacific Railway, construction was commenced as a private enterprise, upon a line of railway running from Winnipeg in a northwesterly direction, with Edmonton as its objective, and easterly to Port Arthur, Ontario. This line came to be known as the Canadian Northern Railway. It secured substantial cash subsidies, guarantees and land grants from the dominion parliament, provincial legislatures and from municipalities. By 1901, the line had been completed easterly to Port Arthur; and by 1905, westerly to Edmonton, Alberta.

This was the first of the lines extended ultimately to the coast. Parliament did not authorize the extension of the Canadian Northern to Vancouver; that was done through legislation enacted by the province of British Columbia. But parliament did subsidize the construction of the Canadian Northern railway to the summit of Alberta, where it connected with the Canadian Northern in British Columbia.

Proceeding with paragraph 14:

In 1903, the Grand Trunk Railway, which had been operating for over fifty years in Ontario and Quebec, and owned direct lines from Ontario through the states of Michigan and Illinois to Chicago, determined to extend its lines to the Pacific coast of Canada. They made application to the federal government for a charter to construct the Grand Trunk Pacific from Winnipeg to the Pacific coast, and to make connection from eastern Canada to Winnipeg through the United States by way of the company's Chicago lines, and by securing running rights over United States railways to the border of Manitoba.

The application was refused, but an alternative arrangement was proposed by the government which contemplated the construction of the Grand Trunk Pacific from Winnipeg to the Pacific coast, with an eastern connection to be provided through a publicly-owned (National Transcontinental) line from Winnipeg to Moncton, N.B., via the city of Quebec.

If, in 1903, the Grand Trunk Railway Company in the east, and the Canadian Northern Railway Company in the west, had been told they must come together and constitute a second transcontinental line, the country would not have been called upon to face the present gravely alarming situation, while a powerful corporation, with a serviceable railway from ocean to ocean, owned and operated by private capital, would, with the Canadian Pacific and Intercolonial, have given the needed transportation facilities for the present and reasonable future requirements of Canada.

The ultimate decision of parliament led to two transcontinental railways being constructed in addition to the already established Canadian Pacific Railway.

That is the record of the commission. We must take it as we find it: it cannot possibly, I think, be controverted. Then we had, of course, these lines uncompleted when the war began in 1914. You will recall the efforts made to rehabilitate them by loans and by guarantees, and possibly to save them from receivership. In my place in the house I supported a receivership and opposed the government of the day. I believed that the proper course to pursue was to place those lines in the hands of a receiver. The leaders of the government I supported at that time thought otherwise, but that did not deter me from placing on record my views of the situation, and I voted on that matter against the government.

Having taken the action that was taken to preserve those companies and save them from receivership, the next step was to appoint a commission to make an investigation as to what should be done with the properties. Without going into it at length, it is sufficient to say that in the end all those properties were merged into what is known as the Canadian National system: the Canadian Northern Railway, with all its subsidiary companies and branch lines and affiliates; the Grand Trunk, with its properties in the United States; the Grand Trunk Western, with the Central Vermont, the line running to Portland, the new National Transcontinental from Winnipeg to Moncton, the Grand Trunk Pacific, the Grand Trunk Pacific branch lines, the branch lines in Alberta and in Saskatchewan—both of which provinces, together with Manitoba, have made commitments by way of guarantee or otherwise which, of course, it is impossible for them to pay, and at the present time such guarantees are paid out of the federal treasury. That was the position with respect to them when the order in council was passed

under the authority of the legislation passed by the government of that day. We thus have a single system of railways that did not come into being as a system, but came into being because of economic and financial conditions that necessitated, in the opinion of the government of the day, their being united as one system. That of course makes it impossible to compare this system with the Canadian Pacific. The Canadian Pacific developed as a considered whole. The Canadian Pacific was developed as a railway; its branch line system was considered as such with relation to the whole. It deliberated over every action that it took and every extension that it made was in the light of its general plan. But that is not so in the system with which we are now dealing. The system which came into being under this order in council was a combination of many systems, many companies and several roads, in two countries at least, some und r provincial and some under federal control, and not devised or developed as a unified system, but developed along three lines and ultimately merged into one. That is the reason it has been so difficult to deal with, and that is the reason why, notwithstanding the speech made by the minister at Toronto and at Three Rivers, I think that before he achieves the end he has in mind, unless he is prepared to adopt some of the drastic provisions of this report, he will indeed be as old as Methuselah.

I wish to deal here with one observation made by the minister. He referred to the fact that the chairman, in his evidence last year before the standing committee, alluded to a letter which he had received from me, and that was given as some reason why steps had not been taken to deal with the capital structure of the national railways. I trust that the hon. gentleman, before making that statement, took the trouble to look at the record, because the other day he himself referred to the fact that the whole case of the Canadian National Railways was sub judice because of a case now before the privy council. Therefore he must have known when he dragged that into the debate that it was being done for no useful purpose but rather to indicate that there had been an interference with the authority of the members of the commission by the government of the day. Such of course is not the case. The truth is this, that Mr. Lovibond, one of the shareholders of the Grand Trunk Railway, owning a small number of shares of each type, has taken steps in the courts to have it declared that the legislation that resulted in the removal of the names of the Grand Trunk shareholders from their registers in Dashwood House and the substitution of the name of the Minister of Finance as the holder of the shares was beyond the competence of this parliament to enact. That matter was argued a few weeks ago before the privy council, and the argument took many days. I understand that Mr. Lovibond has now said that he is prepared to accept damages rather than a return of the status quo, and that the whole question may involve the launching of a new action, or whatever it may be; but the final determination of the question as to whether or not we are validly in possession of the property has not yet been made by the courts. I did say then, and I said to the chairman, as I say to every member of this house, that I did not believe that any government with a sense of responsibility would permit any changes to be made in the capital structure of a railway when it was not yet determined whether they legally owned it or not. That was the reason steps were not taken to deal with the capital structure of the Canadian National Railways. It is sufficient now merely to refer to that, because I proceed to direct attention to what the findings of this commission were. At paragraph 28 you have a summary:

> Government ownership of railways on a large scale as a national policy was not contemplated or planned by any government and was not submitted for adoption to the people of Canada. But when in 1917, the government refused to permit the Canadian Pacific Railway Company to negotiate for the majority shares of the Canadian Northern, there was practically no escape from government ownership of all the railways now comprised within the Canadian National Railway system. The consequent completion and operation of the hitherto privately owned and operated lines with the publicly owned railways followed as a matter of course. Thus by a combination of contractual obligations and parliamentary measures, the country was projected into the railway business on a large scale.

That, in a single paragraph, summarizes the situation. The Canadian people were not called upon to make, by plebiscite or otherwise, a declaration as to their views with respect to this matter; the administration and ownership of these properties by government came about in the manner indicated by the report.

I think I can shortly summarize the findings of the commission with regard to the period from 1923 to 1931 by stating that after the arbitration had been completed as to the value of a certain class of Grand Trunk shares, resulting in the arbitrators declaring, with a dissenting judgment, that they had no value, the case subsequently was appealed to the privy council which sustained the opinion of the majority. While awaiting that final

determination the properties at times were administered jointly, when it became apparent that they were no longer able to provide for their necessities by their own resources. Perhaps in order that those who read may have this shortly before them, I should refer to two of the paragraphs:

Following upon the consolidation of many lines into the Canadian National system, in 1923, the railway has been energetically administered, and has deservedly won approval by its success in welding together the various forces of the separate companies in the consolidated system.

Running through its administrative practices, however, has been the red thread of extravagance. The disciplinary check upon undue expenditure, inherent in private corporations because of their limited financial resources, has not been in evidence. Requisitions of the management have been endorsed by governments, and successive parliaments have voted money freely, if not lavishly.

Within the railway organization there has been freedom in expenditure and encouragement in plans for expansion and extension of services which were inconsistent with prudent administrative practice. The administration failed to realize that this country, with the greatest railway mileage in the world in relation to population, could not afford further capital and maintenance expenditures for unwarranted branch lines, for de luxe services, for unrequired hotels, for the building of ships in competitive service to be shortly abandoned; and, generally, for costly adventures in competitive railways out of proportion to the needs of the country.

There is a statement that has aroused the animosity of some of those who supported the present government when it was in opposition. But, sir, if any man in this chamber will be fair and merely take the figures as to expenditures, as they were produced and shown, he cannot but agree that this is a correct and sound conclusion on the part of these commissioners. In private conversation I have heard no one dispute that, but naturally in this house one hears entirely different views. Then section 35 of the report expresses a thought that I believe must be in the minds of many:

There has been in the country a general sense of expectancy that the publicly owned enterprise should give all and sundry the railway service desired, and there is no evidence that the representatives of the people in parliament exercised any appreciable restraint upon railway estimates placed before them.

Well, Mr. Speaker, how could you expect it? After all, members of parliament are human; they are thinking of their constituencies and of their party fortunes, and their desire to project a branch line here and a branch line there, to extend further this line or that line, and this attitude reflects the inevitable disaster that overtakes parliamentary effort to deal with a property owned by the people themselves. This is beginning again now, as I am going to point out presently. The minister, who has not been here during all these years, understands it only from having read it. Alas, many of us know it from another angle altogether; we have seen it. When I say that a few months ago money was standing in a bank representing the sale of guaranteed securities to construct a line from Calgary to Edmonton, part of the grade of which had been constructed, the minister will understand just what I mean. That line probably never will be built; I do not think it will, but there you have an illustration of what is meant by this report, in dealing with this problem. How are we to get out of it? How are we to get beyond it? How is this country to save itself if we continue to play politics with the Canadian National railway system? I ask you that, Mr. Speaker, and presently I am going to point out what has happened since October 23, to show that we are just going back to the thin red thread of extravagance and worse, to complete subjugation of this great property to political considerations and control.

This is not a matter of party. I wish I could speak as with the tongues of angels and convince my fellow members here that we are trustees of a situation so grave, so difficult and so far-reaching, the consequences of which must be carried by those yet unborn. I wish I could convince hon. members that we must approach this problem not from the angle indicated by the minister in the first part of his speech but from an angle that far transcends any mere miserable party consideration, in the earnest hope and desire of lifting it out of the morass in which it now finds itself by reason, as I shall say, of a lack of support being given the earnest effort that was made to lift the matter out of politics. That is the real reason.

I do not propose to-day to deal with the financial side of the question; I am not going to further harrass an already harrassed people by pointing out to them how great are their responsibilities financially and how large is the measure of their obligation. That can be done by others in this chamber; I merely wish to point out that they are so vast that the mere contemplation of them is calculated to fill any reasonable man with at least alarm, shall I say.

The reason I took some little time to refer to the personnel of the commission was because in his speech the minister said that anyone who would make one of the recommendations made by the commission was lacking in common sense. I cannot think he meant it in that way, but that was what

he said. I am prepared to compare the minister and his common sense with that of the commission, and I think the Canadian people would be prepared to do so also. Why he should indulge in such an extravagant statement I do not know, but he thought it necessary to do so for some purpose, and I desire to make my observation in that regard quickly as I proceed because, as I say, I am not going to deal with the enormous financial obligations involved, except in the broadest and most general way. But if hon. gentlemen will take the trouble to ascertain just how much per minute it has cost this country since we became the owner of these railways, and what has been the inevitable result, they will then have a clearer appreciation and understanding of the problem. I do not say so much per day, so much per month or so much per year, but just so much per minute, so much per sixty seconds. That, I think, should afford hon. gentlemen a clearer appreciation of what is involved.

The question of what has been put into these properties is dealt with in paragraph 37 of the report:

It will be observed that the dominion treasury has expended on or furnished to these publicly owned railway properties cash amounting to one billion two hundred and one millions of dollars ($1,201,000,000) exclusive of the Hudson Bay railway.

That was in 1931. It will be remembered that when the report was presented it indicated that we should no longer issue and guarantee railway securities to capitalize deficits but that the nation itself should bear the deficit incurred. It will be remembered also that in the statute this provision was included. If hon. gentlemen are interested in that provision it will be found in section 12, which provides that—

Income deficits shall not be funded. Amounts provided by parliament to meet capital expenditures shall not be diverted to cover deficits in operation unless with the express authority of parliament.

But the important words are "income deficits shall not be funded." So that under the law as it now stands we have since 1933, that is during the years 1934 and 1935, been providing for the capital expenditures of the system and for its deficits as a part of the debt of the Dominion of Canada, recalling that in 1931, exclusive of the Hudson Bay railway, to which reference will presently be made, we had $1,201,000,000 invested in cash in these three properties, and the deficits that have been incurred since have been added to the nation's debt, because they may not be funded as they were during part of the previous period. For instance, if the railway required $100,000,000 the dominion guaranteed securities and they were sold, part of the proceeds being used to pay deficits and part used for additions to rolling stock and equipment, roadbed and so on. I will not do more than take a few words of summary from the Duff report, section 42:

Net income available for interest and dividends is the significant factor in the economic life of a railway system. In the case of the two Canadian railways there has been a marked fall in net income in the years since 1928. That the true picture may appear, figures are appended for the nine year period, 1923 to 1931 inclusice. These show in separate columns the net earnings from railway operations after taxes have been met, the net income receivable after charges for hire of equipment, joint agreements, et cetera, have been met, and, finally, the interest demands.

Now, there is a misunderstanding that I find on the part of many with whom I discuss these matters as to the relation of gross to net earnings. When my friends pick up a newspaper and find that the gross earnings of the Canadian Pacific or Canadian National have been so many dollars for the week and the net earnings so much, they think that the difference is left with which to pay interest. The average man on the street thinks that. But it is not. Before a dollar of it may be utilized for that purpose the railways have to pay rent of leased lines, wheelage rights, rent of other properties, rent to car equipment trusts if chargeable to revenue, and all the hundred and one things that enable a system to function. If hon. gentlemen are interested they may turn to the report of the Canadian National Railways for the year ended December 31, 1935, at page 19 of which they will find the following figures:

| | |
|---|---|
| 1934 | |
| Railway operating revenue.. .. | $164,902,501 66 |
| Railway operating expense.. .. | 151,936,078 56 |
| 1935 | |
| Railway operating revenue.. .. | $173,184,501 82 |
| Railway operating expense.. .. | 158,926,248 66 |
| 1934 | |
| Leaving net revenue from railway operations.. .. .. .. .. | $ 12,966,423 10 |
| 1935 | |
| Leaving net revenue from railway operations.. .. .. .. .. | $ 14,258,253 16 |

But let us see what the first charge against that is. It is railway tax accruals. The average man, I repeat, reading these reports in the newspapers, thinks the "net earnings" are available to pay interest, and I have suggested, although I believe it is the custom of the Interstate Commerce Commission of the United States in the preliminary reports to treat it just as we do, that it would be well

so to make the report that the Canadian people from week to week would realize whether or not the railway had any money left to pay interest or had gone behind after paying what must be paid before there is any money available for interest. The railway tax accruals for 1935 were $5,209,133.04. a little less than in 1934 when they were $5,241,857.95.

Then uncollectable railway revenues. These were in the traffic receipts because they expected to collect the money, but last year the Canadian National was unable to collect $94,037.61, and the year before $46,813.24. The effect of those and other items was to reduce the net railway operating income of the Canadian National last year to $7,424,121.25 as against $6,324,680.25 in 1934.

But you are not done yet. You add your revenue from hotel operations, and expenses of hotel operation including taxes on hotel properties, and these result in net hotel operating income of $101,770.76. That is a highly commendable result; after paying operating costs, which in the case of a hotel include maintenance of furniture and equipment "in their integrity," I think are the words used by auditors, as well as payment of taxes, the hotels earned last year $101,000. Then we come to such items as separately operated properties, showing a loss, and we reach the figure showing income available for fixed charges as $8,014,635.82 in 1935, which is less than the amount in the year before—$8,616,760.98. But from that there is to be deducted the following items: rent for leased roads, $1,372,712 in 1935 and an almost identical sum in 1934. Then you add amortization of discount on funded debt, that is the charge made each year because securities were sold at a discount. That took over a million dollars. Thus you had a situation develop where you had between five and six million dollars left to pay interest. The interest that had to be paid last year on long term debt was $53,468,792 as against $55,811,745 the year before. But there was also the interest on unfunded debt, which means interest payable to the banks for temporary borrowings, which amounted to $182,125 last year, and $211,058 the year before. So that the net income deficit, before interest on dominion government loans, transferred to profit and loss, amounted last year to the sum of $48,878,181 as against $49,605,719 the year before.

I have taken the trouble to go into that in a little detail because I have friends who are unable to understand why there was a deficit of $48,000,000 on the Canadian National Railways last year, when they pick up reports in the newspapers from week to week and see that the gross earnings so far exceeded the net earnings. I have given these facts in order to remove any misunderstanding there may be in the minds of those who may take the trouble to read what is being said.

There we have the situation brought down to date, indicating the amount of deficit on the system last year. That is the amount of money, apart from capital expenditures—the income statement only—that had to be found by the Canadian people to pay the interest due to the public, not to the government. I am told by many people that it would be manifestly unfair to deal with the moneys due the government, because that represents capital invested by the Canadian people in the road, and unless a dividend is paid on it they must be prepared to accept the loss as part of the incidence of public ownership. The argument is not unfair. But leaving that entirely out of the question, there remains the interest that has accrued on securities held in Great Britain, in the United States, in Canada, in almost every country in the world; held by insurance companies, by trustees, by private investors, by banks, by almost every type of investor in the world. Last year to pay the interest on these securities $48,000,000 was required of the Canadian people. Obviously they could not bear that burden of taxation, and so we went on the markets of the world and borrowed the money with which to pay it. The Minister of Finance the other day referred to what he had to do because on the thirty-first of December last it was necessary to make adjustments in dealing with this matter. There is the situation that has accrued to the Canadian people by reason of the venture in which they embarked.

The amount due in connection with maritime freight rates I have left out of this discussion, because I have left out entirely what are called the eastern lines.

I shall not take time this afternoon to analyze the capital expenditures made, but I recall that many years ago, when I voted against the government of which I was a supporter and said that to make the Canadian Northern of any value would require an expenditure of one hundred million dollars, I was jeered at for putting at so high a figure what was required to rehabilitate that road and make it part of our transportation system. I shall not do more this afternoon than to direct the attention of the people to what is said in the report as to expenditures on capital and how large these capital expenditures have been made both for the construction of branch

lines and for the improvement of the main lines.

So far as branch line construction is concerned any man living in western Canada knows how strongly the people urged that immediate action should be taken to provide them with facilities for sending their grain to market, and we have all endeavoured to do something along that line. The government in 1929 brought out a great plan of branch line construction to which reference is made in the Duff commission report, and the Canadian Pacific followed that comprehensive plan of branch line construction, involving, as is pointed out in paragraph 50 of the report, the construction of 4,161 miles of road and the buying of 857 miles, the major portion of which, according to paragraph 53, was in the western provinces, and at a cost per mile, according to the same paragraph, much larger than it had been believed would be necessary for the purpose. I am not going to do more than read paragraphs 58 and 59:

58. To sum up, it is clear that there was intense rivalry between the two systems in new territory, particularly in the provinces of Saskatchewan and Alberta. The construction program of one company was responded to by an equal or greater program of construction of the other. The development of this territory did not meet expectations, and the railways now find themselves with additional traffic mileage and an increased burden of capital charge.

59. It would be fruitless at this stage to apportion the blame for the competition in branch line construction, but there is no doubt as to the disastrous effects of this competition, and it is imperative that conditions be imposed that will make impossible a repetition of the rivalry in the extension of railway mileage that marked the period from 1923 to 1931.

In the bill before us there is no provision of that kind. In the first days of this first session of a new parliament there has been nothing suggested of that kind in the declared policy of the administration. I take it that inasmuch as the authorization of branch lines will not be given, therefore the necessity for it is not so great.

Then I come to the acquisition of branch lines by purchase. I am not going to indict, as I readily might, the former Liberal administration, now the government, for the cost of those lines. There is not a member of this house who does not believe they cost more than they should, and who does not know that some of them are not worth anything like the amount that was paid for them. I leave that entirely out of the question and point out that the railways taken over by the government prior to 1918 cost $9,559,686, and from 1918 to 1920, $6,641,659. Those are the particulars given on page 22 of the cost and rehabilitation of the railways taken over by the government.

The report proceeds to give the purchases by the Canadian Pacific Railway and the Canadian National Railways of other lines, divided into separate classes. Then it deals with the cost of hotels. It says:

63. The Canadian National and the Canadian Pacific railways own twenty hotels and twelve summer resorts, and are financially interested in a number of other hotels and pleasure resorts. In the case of the Canadian National the hotels and resorts are operated as part of the railway organization; in the case of the Canadian Pacific they are separate organizations.

64. The Canadian National hotel investment, at December 31, 1931, amounted to $31,828,234, and the Canadian Pacific, $71,148,772, a total of $102,977,006.

65. The following statements show the total investment in hotels at December 31, 1922, and also the investment at December 31, 1931. It will be seen from this statement that the Canadian National increased its investment in hotels during that period by 229 per cent and that the Canadian Pacific increased its investment by 193 per cent.

I shall only say with respect to hotels that they never have themselves been profitable adjuncts to railroads. In a broad and general way they are supposed to assist in the adjustment and maintenance of traffic, and railways have accordingly engaged in their construction and in their purchase and operation, but in some countries the view has been held that that should no longer prevail and that railways should not be permitted to operate and maintain hotels. At the moment I express no opinion on the subject, except to point out the enormous sum that has been expended in railway hotels, which is referred to in paragraph 67:

67. An analysis of investments in hotels reflects similar results from competitive conditions to those which prevailed between the two railways in the larger sphere of operations, with practically similar results—the Canadian National steadily increasing its investment despite increasing losses, and the Canadian Pacific adding to its investment to an even greater extent than its competitor, without commensurate return on the investment.

One point as to competition which I think the people of this country should keep before them is this, which is stated in paragraph 69 of the report:

69. The Canadian Pacific has stated that in no case has that company built an hotel in any city where an hotel had already been erected by its competitor. This cannot be said of the Canadian National, but, in fairness to that company, it should be mentioned that their hotel at Winnipeg was constructed in connection with the Grand Trunk Pacific venture, and taken over with that property.

70. There are two modern hotels at Halifax where one would have been ample for the requirements of the public. The Canadian Pacific is interested to the extent of $350,000 in the Lord Nelson hotel, and the Canadian National has invested $2,440,928 of public money in a terminal hotel originally estimated to cost one-half of that amount.

I will pass by the Vancouver venture. The Conservative government of Mr. Meighen was in office a few months and considered a plan for the construction of that hotel involving an expenditure of $4,000,000. The report finds:

Duplication of hotel facilities on a large scale is also under way at Vancouver. There this commission held its sessions in the shadow of an immense hotel structure in course of erection for Canadian National Railways, on which $5,958,812 has been expended to December 31, last, and $4,750,000 additional will be required to complete. The Canadian Pacific has a first-class hotel almost directly opposite this new hotel, on which they have expended $6,337,412.

I am sorry my old friend the Minister of Finance (Mr. Dunning), who was then Minister of Railways, is not in his place at the moment. However, there is no reason why he should be as he is familiar with these matters. Last year I went down to the opening of the docks at Halifax and as I drove round the harbour I saw a magnificent ship, covered on the outside with rust, tied to a dock. She was one of the Prince boats which had been built by the Canadian National Railways for coastal service between Vancouver, Seattle and Victoria. Three boats were originally constructed and some hon. members may have read in the New York papers of yesterday an advertisement to the effect that two of them are being used during the summer by a tourist organization. They cost between six and seven millions each to build. I must not talk politics, but when the government put through the appropriations for those steamships I must confess that I was unable to understand what was meant. Those boats were capable of a speed of twenty-three knots an hour and they were not the type to be used in inland waters. Everyone knows that at the highest speeds the vibration was so great that it was necessary to put fiddles on the tables to prevent the dishes from rattling off. I believe the hon. member for Vancouver Centre (Mr. Mackenzie) will confirm what I say in this regard, if he has to give evidence upon the point, which I trust he has not. This was done because of the atmosphere of competition which then prevailed. I shall not touch upon the question of assets and liabilities at the moment, but I should like to refer to paragraph 88 of the report, which reads:



The demands of the Canadian National Railways upon the federal treasury have served to create a financial problem which, together with other demands, have led to large increases in borrowings by the dominion government and increased taxation.

When Canada entered the great war there existed a federal debt of $336,000,000, entailing an annual charge of approximately $20,000,000. War expenditures added about $1,700,000,000 to the debt of the dominion. In the post-war period, while there were years when the debt was reduced, the result on the whole has been an increase in the net debt. In the year 1930-31 there was added the sum of $83,847,977, and, in the year 1931-32, $119,500,000.

Colossal figures, you say! Yes, and they cover the period of the previous administration. That is quite true and the particulars will be found in the public accounts. When you take into account what was involved for railways alone and incidentals connected with the railway and its subsidiaries, you will realize just what burden passed to the government of that day and how difficult was the problem of maintaining the integrity of the system. But no one for a moment suggests that the government of the day should have any appreciation or realization of what their predecessors in office had to do to maintain the position of the country during a depression, the like of which we have never known. We have the habit of attempting to compare good times with bad; we compare the days of depression with the buoyant days of the great boom, and say: Behold the result, and these figures indicate what had to be done for the purpose of understanding the entire structure of our economy. Look at paragraph 90, which reads:

The additional carrying charges for the entire debt appear in the official estimates for the present fiscal year 1932-33, in which the interest upon the federal debt, and interest upon post office savings, with $3,500,000 for sinking fund, calls for a payment of $137,400,000. To this must be added a war charge for pensions and special disability claims of $5,000,000 per month, or $60,000,000 for the year. These two items of fixed charges for the year 1932-33, totalling $197,400,000, should be contrasted with the $20,000,000 for the year 1913.

It is necessary, therefore, in considering the railway problem, which since 1917 has established claims for such immense sums upon the federal treasury, to ask how the country is to meet these capital and annual charges if continued.

It is to be remembered that, coincident with this great increase in federal treasury liability, there has been a vast enlargement in the liabilities of provincial and municipal governments throughout Canada. They have borrowed and spent, and spent and borrowed, and in

consequence have increased their debt charges to such an extent that the burden of taxation is deeply resented.

Meantime international credits have become disastrously impaired and there is difficulty in securing immediate relief in an actute situation through fresh borrowings from Great Britain and the United States.

The report then proceeds to deal with density of traffic and matters of that sort. I am not going to do more with respect to that than to point out that we cannot possibly justify the number of miles of railroad in this country by any economic theory that can be evolved. I shall be content, however, with placing upon this record the words of the report beginning with paragraph 142. These show where we are going back to. They are:

The conduct of the affairs of the National railway has been subjected in the past to political and public pressure. It is, however, necessary to make a distinction between unwarranted political interference and the influence of broad public policy. To the latter category belong several of Canada's major transportation schemes, such as the Intercolonial and Canadian Pacific projects, which were the outcome of definite political arrangements based upon broad national considerations. Others, such as the original Grand Trunk, in a lesser sense, and the Canadian Northern and Grand Trunk Pacific in more marked degree, represented a compromise between the aims of private promoters and the endeavour of the state to turn those ambitions to national advantage. While certain of these projects became warmly contested political issues, they were endorsed by the Canadian electorate at successive general elections, and were accepted as approved national policy.

The majority recommendations of the royal commission on railways and transportation in 1917 were designed to provide safeguards against political interference which is instinctively to be feared in the conduct of a public enterprise of the magnitude and character of the Canadian National Railways. But the government of the day declined to follow the plan of organization recommended by the commission, which was in substance to place control in a permanent and self-perpetuating board of trustees.

There was adopted, instead, the plan which is contained in the Canadian National Railway Act. This act provides for a board of directors to a maximum number of seventeen, appointed by order in council, holding office from year to year. Appointment to the office of chairman of the board and president of the company is made by the government, and concured in by the board.

Under the circumstances, the directors' functions have been in practice nothing more than advisory. It would seem that they generally gave formal approval to programs of expenditures which they appeared to regard as the main concern of the president and the government. This left the railway open to political influence and to public pressure extered by communities and by associations of business and labour interests.

Of direct political interference by ministers and members of parliament in the detail operations of the railway, we were assured by the officials there was little or none. It was in the larger sphere of policy that political considerations led to unwise and unnecessary capital expenditures, the result of which was to create an atmosphere in which the ordinary principles of commercial operation of the railway were lost sight of.

The president of the Canadian National Railways, in a considered statement made to this commission in the course of its inquiry, expressed the following views:

"One of the inherent disadvantages of any state-owned enterprise such as the Canadian National Railway, is the problem of political interference—and one might also add, public pressure. In making this statement I wish it distinctly understood that I imply no criticism of any party or any government, present or past. I merely state a fundamental and universally admitted condition.

The leaders of all political parties and the people of Canada as a whole are a unit in their desire to prevent political invasion of the Canadian National Railway. But the plain fact is that, irrespective of such wishes and desires, the problem presents difficulties beyond the control of our leaders, be they ever so patriotic or high minded. After all in any form of popular government it must be accepted as axiomatic that the business of government is politics and, irrespective of whether one likes it or not, politics is something with which a government must reckon in all its activities."

The president of the Canadian Pacific appeared to be more concerned over the activities of what he termed "politically-minded" executives of the publicly-owned railway than he was over straight political pressure for definite ends. He said:

"We talk a great deal about political interference being damaging to railway operations, and we know that that is true, generally speaking. But when we say it we seem to think the only political influence is that exercised by a government, or a member of government, or a member of parliament. To my mind the worst kind comes from the political attitude of men in publicly-owned institutions. Possibly they are not conscious of it, but they become politically-minded; their policies and actions have a political tinge, and that, from my standpoint, is more serious as representing the attitude of the corporation than the isolated act of a member of parliament who tries to get a man employed.

"Years ago the ability of privately-owned railway companies to withstand political pressure was somewhat limited. To-day it is nothing like it was, because we can say 'no' to that kind of pressure. But the politics that develop inside an organization because it is publicly-owned, and not privately-owned, is a serious thing.

"We spoke of not being able to anticipate what government policies would be towards any railway, and I believe we cannot tell from year to year what the policy of any government would be in respect of its railway property. Providing it owns it, and has a measure of control of its policies, and so long as they are putting up the money, we cannot avoid that possibility."

Then the commission proceeds to take the year 1929 as an illustration:

149. Possibly the year 1929 affords a striking example of what political and public pressure, presumably, were able to accomplish.

150. The Canadian National Railway requirements authorized by parliament during the fiscal year 1929-30 were as follows:

| | |
|---|---|
| Canadian National Railway Budget for 1929 | $ 53,750,000 |
| Canadian National eastern lines deficit (1929) and 20 per cent reduction in tolls | 6,808,172 |
| Prince Edward Island car ferry construction | 2,500,000 |
| Branch line construction (1929-1932) | 30,136,325 |
| Montreal terminals (construction) | 50,000,000 |
| Acquisition of railways | 31,247,500 |
| New equipment issue | 18,000,000 |
| | $192,441,997 |

In addition, construction programs were proceeding under prior legislation, the unused authorities being for:

| | |
|---|---|
| Branch lines construction | $ 9,482,021 |
| Toronto terminals construction | 3,583,863 |
| | $ 13,065,884 |
| Total expenditures authorized | $205,507,881 |

151. The actual cash expenditures during the same year covered by these authorizations amounted to $113,859,777, the balance, $91,748,104 being chargeable to subsequent years as construction work proceeded or obligations on account of roads purchased matured.

The foregoing does not take into account other legislation which provided for the refunding of $18,000,000 of maturing securities, nor $6,396,000 voted for the Hudson Bay railway and terminal development, in the same year.

152. The net increase in funded debt of the Canadian National due the public for the year 1929 amounted to $144,670,459; whereas the annual increase for the previous six years had averaged $28,897,648.

153. Annual interest on the funded debt in the hands of the public, which, at the end of the year 1928, was $41,810,880, increased to $55,587,145 at the end of the year 1931, due largely to the expansion policies of 1929.

I was going to put the figures on for last year but they are now well known to the house.

Under those circumstances I think every hon. member will agree that the government was warranted in taking some steps to endeavour at least to give effect to the report of a commission of that calibre, which investigated the matter as thoroughly as I have indicated.

Mr. FINN: In what year and what month was that statement made by Sir Henry Thornton and Sir Edward Beatty which the hon. gentleman has quoted?

Mr. BENNETT: Those two statements were made to the commission itself in 1931

[Mr. Bennett.]

during the progress of the investigation. The commission then dealt with the contributory causes of the railway problem, dealing with excess mileage, which I think must give every member of the house pause—why? Because we all find it difficult to bring our minds to the conclusion that we can agree to the lessening of railway mileages in the communities we represent. Shortly put, that is the position. This is the way in which it is dealt with:

156. In the earlier part of this report emphasis has been laid on the excess mileage of Canadian railways. The policy of branch line expansion in the period 1924 to 1930 has also been dealt with. It has been pointed out that the population per mile of steam railways in the United States is more than double that in the dominion, and competent railway authorities in the United States concede that there is a great excess of mileage in their country. Reference has been made to the low traffic densities prevailing upon the greater part of the Canadian mileage. The traffic density maps, which accompany this report, tell the story in graphic form. In the interests of sound railway practice, a careful examination of all light traffic lines should be undertaken forthwith by both railways to determine what should be retained and what should be abandoned. Where the decision is for abandonment, operations should be promptly suspended, and the salvaged material recovered then or later. Thought should be given to the operation of a considerable mileage during a portion of the year only. Radical reductions, not only in the service on these light traffic lines, but also in the mileage of this group is essential if economic security is to be restored to the railways.

Various estimates have been made as to the number of miles involved. Some have gone so far as to say that to carry out that report in terms of the recommendation would involve the abandonment of 4,000 miles. Has any member contemplated what that means? Can it be accomplished by hon. gentlemen opposite? Does the minister say for a single moment that he can accomplish that? That is the question. Just look at that in the light of the figures which were given as to the number of miles of road we have in this country as compared with other countries. Some hon. members will recall the figures. I passed them by, but perhaps I should read them now:

95. Of all the countries of the world Canada has the smallest population per mile of railway. In the United States the population per mile of railway is more than double that of the dominion.

96. At December 31, 1930, the total railway mileage of Canada was as follows:

| | |
|---|---|
| First main track | 42,075 |
| Additional main tracks | 2,690 |
| Industrial tracks yard tracks and sidings | 11,877 |
| | 56,642 |

The increase over the preceding year was 774 miles. In addition, there was under construction 713 miles, chiefly in the prairie provinces.

At present it may be said that the mileage is nearer 57,500. These are the figures. Let us think of it and ask ourselves whether we can effectively deal with this problem in the manner which the minister has indicated. Having regard to the speech made by the minister in Toronto, I was awaiting with great interest the enunciation of the government's program with respect to railways. After his highly inspiring observations at Three Rivers I waited with greater interest and anxiety. It all gets down to this, however: We will substitute directors for trustees and having done that we will provide for a nearer approach to parliament and all will be well. I have no desire to discourage the optimism of any new statesman; on the contrary I desire to do everything in my power to encourage him in his laudable ambitions. But although some recommendations of this commission may be lacking in common sense, as he suggests, I believe he will find that their review of the facts is warranted not only by observation but by experience of at least two of them in dealing with colossal problems in countries other than our own.

May I go further now, leaving that for a moment, to look at the remedies suggested. It was not a popular thing to introduce the legislation of 1931. It was realized that our political opponents would seize upon it for the purpose of arousing the animosities of the employees of the railways. And how successfully they did so. No wonder my hon. friend laughs! I have no quarrel with those who were appealed to in the way in which the railway employees were. Their response was certainly effective, and it was immediate. I daresay the hon. member for Saskatoon (Mr. Young) recalls the observations made by the steward in the dining car on which he was travelling west. I mention this just to let him know that I knew about it.

Mr. YOUNG: My right hon. friend must have a secret service that is the best in this country.

Mr. BENNETT: It is a fairly good one.

Mr. YOUNG: I may tell my right hon. friend that his information can come from only one source, and I think he does not do himself full justice in mentioning that gentleman's name to me.

Mr. BENNETT: I did not mention the name. I do not know who he is.

Mr. YOUNG: Well, I do, and he will know that I do.

Mr. BENNETT: And I do not.

Mr. YOUNG: I may say, Mr. Speaker, just in that regard that I quite agree with him that railway men perhaps should be a little more discreet than he was; and I so said.

Mr. BENNETT: Yes. It was not his indiscretion that gave me any concern. I was merely pointing out how effective had been the appeal. Human nature being as it is, I am not here to blame the hon. gentlemen who now sit on the treasury benches for having succeeded in their appeal, but I do say that you have to get beyond that or you will not solve this problem. You cannot solve it in that way. When I point out to the minister the net result of this measure of his, I do so in the most kindly spirit and with the most earnest desire to better conditions. Look at what happened in the house the other day. On April 20, as reported at page 1964 of Hansard, a question was asked by the hon. member for St. Boniface (Mr. Howden) about employment in the shops at Transcona. The Prime Minister (Mr. Mackenzie King) answered:

The hon. member used an expression which I do not think is justified. He spoke about the government laying off men from the railways. I am sure he did so inadvertently.

Mr. Stewart: We used to hear that every day.

Mr. Mackenzie King: Well, it is unfortunately true that the government gets the blame for pretty nearly everything, but in this particular case the government is wholly innocent. The government had nothing to do with laying off men.

Mr. Howden: The government is getting the blame for it just the same. The Canadian National is a government road and it is felt by these men that the government could use its influence to see that the work is carried on.

The people of this country will read with alarm what appears in the next paragraph, from the Prime Minister of Canada:

Mr. Mackenzie King: There is on the order paper notice of a bill which it is believed will give the government a little more authority as well as responsibility in these matters. I hope the house will be responsive in its support of the measure.

Some hon. MEMBERS: Hear, hear.

Mr. BENNETT: I can understand the cheers. I certainly understand them, because hon. members are going to get a little more power to deal with the question of unemployment. That was the point to which the question was directed. Let me show what has happened since this government came into office. I hold in my hand a copy of a newspaper which is published in, I think, Rivière

du Loup or St. Laurent. In it appears a notice. The hon. member for the constituency is leaving to go to parliament. He writes:

Ottawa, 5th February, 1936.

Monsieur H. Coté,
Roadmaster, C.N.R.,
Rivière-du-Loup Station, P.Q.

I beg to include a list of members of a committee which in future must transmit to you the recommendations for those who will desire to work in shovelling the snow along the Canadian National route.

The work that I have to do during the session does not permit me to look after the details. I am very much obliged to my friends that are willing to render me this service.

I desire them to pay special attention to the ones who are mostly in need.

Yours very truly,
Jean-François Pouliot.

Some hon. MEMBERS: Oh, oh.

Mr. BENNETT: I regret that that should be considered a subject matter for laughter. One can only say this, that the hon. member for Témiscouata (Mr. Pouliot) was open about it; he did what he did publicly. That cannot be said of everybody. I happen to know of efforts that are being made right at this moment by men connected with collieries and coal, who, when they are told that there are existing contracts, and that to start a new coal mine would be undesirable in view of the present supply, say: Wait till this bill gets through; then we will be able to bring pressure to bear and get a new mine developed and the coal taken out of it for the Canadian National roads. I happen to know of a case where a man, employed in a position, was about to be transferred from one point to another. A member who sits on the government side of this house said, "No, that must not happen. He is one of my most valuable supporters. He has to stay here." I could multiply such instances.

Not for a moment am I trying to say that the Liberal party is any worse than any other party with respect to that practice. That is not my point. But I do say this, that under the control of this system by a board of trustees it was not possible effectively to do that.

Some hon. MEMBERS: Oh, oh.

An hon. MEMBER: Page Manion.

Mr. BENNETT: I say that with respect to employment. I know the story about the ties; I am entirely familiar with it, and the minister was of opinion that people along the line should, regardless of their political views, have some opportunity to supply ties. But leave that out of consideration for the moment.



There is abroad in this country on the part of those who support the Liberal party the view, the very strong view, that to substitute for this board of trustees a board of directors is to go back to the good old days of 1929. There is no doubt about that. If men were under oath and speaking their honest opinion I could call, one after another, practically all Liberals who are interested in patronage and matters of that sort to say that this is going to restore those good old days.

The minister has referred to the president of the Canadian National system. I have a high regard for him. He was in Calgary, working with the Canadian Pacific Railway, when he was taken by Mackenzie and Mann as master mechanic, and he has risen to a position of importance. But it is my duty to say this, that, temperamentally, he cannot resist pressure. He cannot, in that sense, say no. The pressure of politicians, members of this house, members of the government, is such that he cannot resist it; that is the pressure, not of the opposition, but of the powers that be. I say that with the best intentions in the world, and I say it because I know whereof I speak.

I will not discuss the chairman. Before the committee he will have an opportunity of speaking for himself. But this bill certainly should not be given second reading, should not be allowed to leave the committee stage, without affording the trustees an opportunity to be heard, because the provisions and the terms of the statute are that the chairman was appointed for a period of seven years, and that he should not be removed without an address. By section 7 of the act:

No trustee shall be removed from office, nor suffer any reduction in salary, during the term for which he is appointed, unless for assigned cause and on address of the Senate and House of Commons of Canada.

It must be taken, of course, that this measure is practically removing the chairman from office, and the reasons assigned are such that he has not yet had an opportunity to answer them.

We come to the question of the selection of the personnel of the board of trustees. The act came into force on July 1, 1933. It was regarded as impossible to split the year, so to speak, and during the succeeding six months an effort was made to secure three trustees. It may be that three trustees are too few. It may be that they have all the weaknesses to which the minister has referred. But if they have, his harbour commission has just the same weakness. That commission touches the life of the people

more intimately and under less control than does the railway, because the railway is governed by the Railway Act, the decisions of the railway commission and the many provisions that have now become part of the public law of the country. But for the harbours board he was content to have three members; he thought three were sufficient, but that number was wholly inadequate, he says, when applied to the railways. The investment in the latter is more than in the former, but the matter of harbours touches the public—Halifax on the one hand, Vancouver on the other. Of course it does not touch the inland part of the country at all. Although he talks about the necessity for a certain type of man to administer this vast railway system, he is content to take three civil servants for the purpose of administering the harbours board.

Mr. HOWE: May I interrupt my right hon. friend to state that I took three civil servants to bridge over a gap. That was necessary.

Mr. BENNETT: The minister very properly points out that it does not follow that they will be permanent appointees, and I quite agree with what he says. But I point out that he was quite content to give them the powers of all the harbour boards throughout Canada, and three is the number provided for in that bill, so three cannot be such a bad number after all.

Now let us go further. We had that period of time in which to endeavour to secure these men. The commission recommended that we should secure a certain type of men, and we endeavoured to do so. If we are to have full time men the minister will find it very difficult to get men of this type to leave their present businesses and devote themselves to the interests of the railway for any compensation that we may be ready to offer, and now you have taught them this lesson, that an act of parliament does not mean anything; that a man who has a position may be removed at the caprice of any government with sufficient majority to do so. There is no certainty of tenure whatever; yet you expect the best men of this country to devote themselves to this job. I may say that from the Atlantic to the Pacific we canvassed every section; we endeavoured to induce men, possibly through a sense of public duty, to undertake this responsibility, but they all had businesses of their own. Take a man who is general manager of a great enterprise; what time has he to give to the railway? We did secure what the minister describes as a company director, but I think if the minister will look at the traffic that the company in which that man is interested supplies to the railway, my hon. friend will realize how disinterested that man has been, serving without compensation, how willing he has been and how earnest have been his efforts to seek some solution for the problems before us. Starting at the Atlantic and going to the Pacific we asked this business man and that, pointing out the public duty and responsibility, but they were not prepared to undertake the work, and this bill was one of the reasons they gave.

Finally Judge Fullerton was asked to undertake this duty. First of all he had a good legal training and had been on the bench for fifteen years. He had acquired a considerable business experience while he was at the bar and, beyond all that, as chairman of the railway commission he had an intimate knowledge of the operations of the railways. I am not dealing at the present time with the human factor, because from the moment he was appointed he was subjected to attacks by the then opposition; from the moment he was appointed he was being held up as being unfit for his job; from the moment he was appointed those who now ask for the support of the Canadian public were loudest in denouncing him as being unfit for the position which he assumed. In such circumstances how could you expect to get results? How can you expect to get results under the bill which is now before the house, if as soon as the names of these men are announced we begin to point out that this man has a drag here and the other has a drag there; that this man has a pull here and he desires this for this or that purpose? You cannot appoint men to positions of great responsibility and say: Behold, they hold great wealth or administer great properties, as one reason why they should be fit for the job. The position of chairman of this board of directors is one of the greatest difficulty, involving the possession of qualities which very few men have, and knowledge which is possessed by still fewer men. These men now are, mark you, not trustees with a certainty of tenure but directors appointed by the governor in council, which is by the government of the day, politically, if you like, knowing that those who hold allegiance to the government and those who support the government must come to them demanding this, that and the other thing. Are these men going to be able to administer this system

so fearlessly, impartially and effectively as to ensure an equilibrium between income and expenditure? Does the minister really think that is possible? Does he think for a moment, with the experience he has had, that it can possibly be so? All you have to do is to realize what is meant by the letter I have read or the other matters to which I have referred and you will have no difficulty in appreciating the situation as it exists.

I am sorry to say that, in the light of the minister's speeches at Toronto and Three Rivers, I do not think he realizes what those forces are to which the commission referred. I do not mean that a member of parliament is going to take the minister by the throat. That is not the point. I have in mind what the report said as to the terrible effect of what is described as the pressure of communities, the pressure of circumstances, if you like. Let me put this to the minister: Does he believe, for instance, that a board of directors will be as able to withstand pressure for the construction of the Montreal terminal—I use that as an illustration because it is not likely to be done—as would a board of trustees? I saw what took place in this house, you see. Does the minister think a board of trustees would have yielded to pressure with regard to the Halifax hotel? Does he think a board of trustees would have done what was done by a board of directors with respect to the Vancouver hotel? Does the house recall the appointment of Mr. Fife-Smith of Vancouver as a director of the Canadian National Railways, and the reasons given by the minister from that province for that appointment? These are some of the factors which are influencing my mind in trying to arrive at a sound conclusion, for I am as interested in this problem as any man in this community, even as much as the minister himself, and in trying to see that what we do shall not bring disaster upon us. What Sir Henry Thornton said about political pressure cannot be denied by any observing man. What Sir Edward Beatty said is equally true, and who of us, reading the history of hydro in Ontario during recent months, can overlook the fact that "politically minded" is a proper description of those responsible for administration?

What I fear, I say to the minister frankly, and what I think everyone fears is, on the part of those entrusted with responsibility at head office, a state of mind, unconscious if you like, that expresses itself in a desire to please those who are in office. How many executives have sufficient strength of character and of decision to take an opposite attitude to that taken by the government? I recall what took place in connection with the Montreal terminal. If I had time to tell this house the whole story in that regard I am sure the minister would understand just what I mean. Consider the National Transcontinental; how did that come into being, and why? No one suggests for a moment that it was ever built to meet a national necessity.

Mr. FINN: To shorten the distance.

Mr. BENNETT: I am sorry that it does not shorten the path of the hon. gentleman to an understanding of the situation, but that had nothing to do with the undertaking. We all know the story in that connection; everyone knows it. Then there was the construction of the Grand Trunk Pacific to Prince Rupert, paralleling the existing facilities between Edmonton and Winnipeg, and we know how that came about. There was the projection of the Canadian Pacific, throwing its line in before the Grand Trunk Pacific could be built, by the extension of the old Canadian Northern Edmonton line from Wetaskiwin down to Winnipeg. Knowing all these things one cannot but realize that today we are being asked to make possible the exercise of that unconscious influence, if you like to call it that, upon the executives controlling the situation at head office which will result in politically minded action. Does anyone, for instance, say that the purchase of the Southern Counties railway was that high type of business that commends itself to the experienced and trained executive? Does anyone suggest that the Gaspé and Oriental was of such transcendent use to this country as a supplier of traffic that it was necessary in a business way to acquire it on the terms we did? Hon. members know the reports as to values. Some of those old branch lines served little communities in the east, we understand, but when you get into the other field you cannot for a moment say that it was other than considerations, not necessarily party, but political in their character, which brought about the result.

What we are asked to do now is to perpetuate that sort of thing. I think the hon. gentleman at one time would have been quite well satisfied, unless rumour does him a great injustice, if the present chairman would have resigned, to appoint another chairman and another board, and been content with the board of trustees. But the chairman felt that he could not resign, so we are to have seven directors.

I go a step further. On capital expenditure can you have any greater safeguard than we have now? Is it realized that this house has to vote every dollar of capital which is spent? Will it do anything more under this

bill? This house has a discretion to exercise now; it will have none greater under the new bill. If it is intended that the government shall project itself more intimately into the administration then that is the very thing which the commission said should not be done. If not, the control of parliament is complete at the moment, because nothing can be paid for deficits or capital expenditure or anything that this parliament does not approve; this must be done by appropriation. The board as it stands to-day has not a dollar to spend for capital purposes unless we give it to it; it has not any money to meet deficits except as we provide it. We must provide capital, whether it be for locomotives or cars or rails or roadbed, and under the new bill that will still be so.

You are going to have seven men meeting together, and the will of the majority prevails. The reason the chairman has a casting vote, was such would sometimes be necessary in order to carry any measure. The assumption was that the chairman would have such a sense of responsibility that political considerations would in no way govern. I can speak feelingly; I have been accustomed all my life to write to railway executives, whether of the Canadian Pacific or the Calgary and Eastern or other roads, when I was interested in some man who had met with a hardship. I have done this all my life; I never thought of it in any political sense; I did it both when I was in the house and when I was out, perhaps more when I was out than in. But if I wrote to the chairman of the Canadian National with respect to any matter Judge Fullerton would not for a moment consider it; in fact he charged it as political interference because I suggested it.

And when the minister talks about the two railways coordinating their efforts before the trustee board came into being, I can only say that this is true. In 1931, before the board was appointed at all, I sent a letter to both the president of the Canadian Pacific and the then president of the Canadian National asking them to cooperate in view of the serious conditions in which we lived and the financial obligations we were under. That is no new thing, successive governments have done it. But where in this bill have we any assurance that the evils which this commission fearlessly pointed out are not going to recur? If a board of directors under the conditions to which this commission refers dealt with this property in the manner indicated and brought about the results that have been expressed, then we know if we know anything that the appointment of another board of directors will bring about the same results. The minister says that the question is one of personnel. So it is, but no personnel that you can get in this country, unless you pay them more than we are prepared to offer them, will leave their present positions for the purpose of serving this railroad. Take the United States; take the history of their railroads; take the salaries they pay. Hon. members know perfectly well we cannot get these men. You cannot get the president of a bank or of a great organization to leave his organization and come and serve the railway. And we know if he gives it part time he gives just such time as he can afford having regard to his other duties. A day and an hour are fixed when they shall meet together. They meet together. They carry out—what? The will more or less of the president, just as this commission pointed out. That is all. Look at their expenditures: The hotel in Jamaica, these three steamships I have mentioned. Take the Montreal terminals, the hotel at Vancouver, the hotel at Saskatoon, the hotel at Halifax, every one of them; you can just put your finger on it and say: That is the reason. That is the report of the commission; that is what they found. There is their decision. I think no one would question that these men had no personal object to serve; in fact, if anything, they were more friendly disposed than otherwise with respect to the matters with which they had to deal.

I say to the minister that he has not made out a case. The only case he has made this afternoon is that in his opinion the chairman has not done his duty and is unfit for his position. But instead of taking action under section 7 and indicting him so that he would have a chance to be heard, he removes him, although the statute requires that he remain for a period of time. He gives him no opportunity to be heard, except before the special committee, and substitutes directors for trustees although the report of the commission is that under the service of directors, whether under a Conservative or a Liberal government, there was faulty administration and the red thread of extravagance running through the whole of the operations. And, more, there is the effect of politics, exercised not individually with respect to individual persons, but by the pressure of circumstances, of communities, of members of parliament en masse for the purpose of promoting their own political fortunes, and human nature being

what it is that must be so. We cannot lift this tremendous problem out of the morass of politics unless we endeavour to see that those charged with responsibility are free from pressure because they know their tenure of office is such that with their responsibility they cannot be treated as this bill treats the retiring board. This very bill is going to make it more difficult to get the right type of person, because the government has set an example that all one has to do is to change the government and then pass a bill. What is the sense of saying that they are appointed for five years or three or any other term? Why not simply say that they are to remain in office until such time as another government puts someone else in their place? It is all right to say that this leaves the responsibility with us, but the responsibility once politically exercised will be thus exercised again. A precedent is created. That is one of the difficulties of parliamentary government; you create that situation. The Prime Minister may say: I said that if we came into office we would remove them; that is not incorrect. Now the government is doing this, but it is doing it in the face of a report which indicates that directors have to a large extent brought about the disaster that we have to meet, because they themselves were not appointed to serve full time, and had no responsibility as far as money was concerned. And that is what the commission makes a particular point of; you see a private company always knows there is the question: Can we get the money? A private company always asks: Can we get the money? Can we borrow the money? Can we secure it by any means? But as this report points out, the president of the road made recommendations and that became the voting unit to secure it Just look at that report and read what happened in 1929! These are not my words. Mr. Speaker.

I had intended to deal at a little more length with some of these matters, but I have read lengthily and tediously, I am afraid, extracts from this report, not because the members of this house have not read it but because I find that my fellow citizens have apparently little or no understanding of just what the facts are in connection with our railroad position. This report dealt with the situation, from its genesis to its end, and it recommended a board of trustees, giving the reasons for so doing. I intended to take a little time on that. The commission say that in no other way could the end we all desired be reached than by bringing about cooperation between the two railroads. They say: That can be brought about, not by force in the first instance, but by mutual understanding and goodwill, by men meeting together in council and consultation. They say that it is necessary to have certainty, decisiveness, yes or no, not trying to put off decisions from week to week and month to month, doing a little now, a little next day or next week, and a little more thereafter, and an effort made by a minister of the crown to depreciate any work done or any savings made. We must have this cooperation unless we are prepared to scrap thousands of miles of railway. But the limits of cooperation are apparent to any casual observer; they must be, in the very nature of things. How can you escape it? Well, these men met together and they asked; What can we do? It was decided to pool trains. They decided to pool trains from Quebec to Montreal. Somebody is hurt and complains. Then it was decided to pool trains between Ottawa and Toronto, and the employees of one road are told that the other road is getting too much traffic and too much work for its employees. Then it is decided to pool trains between Winnipeg, Toronto and Montreal, and violent opposition develops because the men say this means that they will lose their jobs and they are not going to stand for it. Then they talk about taking up the rails, and that very minute every member of parliament says, at this effort to lessen competition and expenditure: I will vote against it.



At six o'clock the house took recess.

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## After Recess

The house resumed at eight o'clock

Mr. BENNETT: Mr. Speaker, when the house rose at six o'clock—I had intended to conclude before that hour—I was asking the minister what he hoped to do by this legislation that could not be accomplished under the existing statute. I thought it well to point out in that regard what the commission had to say in their proposals and remedies, commencing at paragraph 195 of the report. They referred to the necessity for disregarding such amalgamation, long lease of the property as well as short leases of fifteen years and over. Paragraph 203 reads:

> Three trustees should be appointed by the governor in council, in whom should be vested all the powers of the present board of directors of the Canadian National Railways, both in respect of the parent and all subsidiary corporations of the system; and any and every power and authority necessary to enable them to administer the property and operate the system and every part thereof.

I put this to the house: In the face of a finding such as that to which I have referred, can it be said that this house as it is now constituted is better able to recommend an adequate remedy than were those commissioners? Does the minister with his limited experience in dealing with this problem suggest that at this very short date he is so well qualified himself as to be able to speak with more authority than are those men who gave so much time and trouble to dealing with the problem? In regard to the appointment of the trustees, I mentioned this afternoon that the government of the day had full appreciation of the value of the report in connection with the type of men who should be appointed. The report recommends that all should be persons of proved business skill and capacity. I think most will admit that Mr. Morrow is a man of proven business ability and capacity. Mr. Labelle had had considerable experience, not so much in the practise of his profession as in dealing with business transactions for one very important client whom he represented in Montreal. He brought to bear upon the problems that he had to consider a trained mind not unaccustomed to dealing with business problems of the greatest magnitude. In the case of Mr. Morrow, as I say, I think his capacity is known to all those who have any knowledge of the business of this country.

I have mentioned already the considerations that brought about the appointment of Judge Fullerton. I should mention that it was regarded as absolutely essential that there should be some measure of continuity in management between the outgoing board and the new trustees. Both Mr. Morrow and Mr. Labelle had been on the board and they were continued so that continuity might be maintained. For the life of me I cannot understand just what difference there is between the suggested proposals and those embodied in the statute itself. Paragraphs 205 and 206 of the report provide that the budget requirements of the system are to be made known. These paragraphs read:

> The annual budget of the railway should be under the control of the trustees. Amounts required for income deficits, including interest on railway obligations, for capital and for refunding, should first be submitted to the treasury board for its approval and presentation to parliament by the Minister of Finance.
>
> Since the debt of the system in the hands of the public is now very large and more than the railway can carry from its earnings even under improved conditions, sums which are required to meet deficits should be voted by parliament annually and not raised by the issue of railway securities as has been done in recent years. This recommendation does not apply to capital for improvements and betterments nor to amounts required for refunding.

These recommendations are embodied in the report and it is somewhat difficult to understand what will be the difference between the new board of directors considering the situation and making recommendations as to what is required for capital, for other purposes and for the deficit, and the present board of directors, which now considers these very problems, making recommendations as provided for by the statute. According to the provisions of the statute parliament deals with the matter and provides the money and the week before last we voted substantial sums to the railway for that purpose. There is now standing on the order paper a bill which contemplates the voting of a potential deficit before it is known. All of this is a negation of the principles that governed in connection with this matter, under either the report of the commissioners or the provisions of the statute itself.

With relation to the chief operating officer, I confess I was unable to follow the minister. The statute distinctly and positively states that the operating officer shall have to do with the operation of the road, the administration in the broad sense being entrusted to the chairman and the trustees. If, as has been said, the chairman segregated certain activities; for instance, if he said that he would undertake to be the executive officer with respect to hotels or with respect to the law department, the fact remains that the president was responsible for the operating. I cannot see that that division of duties could in any sense lessen or limit the field. For example, it is well known that the vice-president in charge of traffic may have certain obligations. It is well known that the vice-president in charge of accounting may have certain obligations and the chairman of the law department may have to do with certain other phases. If, as chief officer of the road, the chief executive or the chairman says, "I am willing to undertake responsibilities that link executive action to administrative action in connection with several activities," to which reference was made this afternoon, I can only point out that as a result of his efforts, he brought about surpluses where there had been deficits. I think the minister mentioned this afternoon a surplus in connection with hotels, and in connection with the steamship lines the same condition prevailed. Of course, the law department is not a revenue producing department, but one would expect that a former justice of the Supreme Court of Manitoba would be well qualified to assist in the administration of problems which had to do with law. Therefore I find it difficult to understand why the

attack was made in the form in which it was, unless the minister understood the chairman to indicate that he regarded himself as the chief operating officer of the railway. The statute says that he is not and the recommendation of the commissioners in that regard has been followed. As I say, I find it difficult to understand what is meant by that attack.

With respect to cooperation, I stated this afternoon that the commissioners recommended the closest cooperation. In paragraphs 210 and 211 of the report they embodied this recommendation in terms which have found expression in the statute itself. I say once more to the minister that there can be no useful cooperation if there are two considerations always before one or both of the parties cooperating. There can be no such thing as real cooperation if each is waiting for the other one to suggest that there shall be the taking up of lines on his road or on the other man's road. These considerations must be overcome by mutual understanding that there may be lines taken up on both roads.

Lastly, and more important, is the second consideration. Last fall I heard appeals being made to the railway employees that amalgamation or unification might involve a possible loss to some of them. This afternoon the minister talked about human relations between the president of the road, who had worked up to that position from the mechanical department, and the employees. Is it proposed that because someone suggests that some proposal may have a temporary effect upon someone, the Canadian taxpayer is to be taxed forever? Is that what the minister means? The facts would certainly indicate that that is so.

Someone pointed out that the roundhouse in Ottawa was in a disreputable condition, was no longer capable of serving the purpose for which it was constructed. It was pointed out also that across the bridge there could be found in Hull a recently completed roundhouse owned by the other road and quite capable of meeting the requirements of both. If meaning is to be given to the words of the minister, it will be extremely doubtful, because of attention having been directed to what might result with respect to the employment of some people, whether an effort will be made to bring about the ultimate use of the Hull roundhouse when the Ottawa roundhouse falls into obsolescence. I want to make it perfectly clear that I think it would be far better for the people who are employed to be employed by a solvent system, by a system not in the hands of a receiver, than by one no longer able to maintain its services efficiently and effectively. In other words, more people will ultimately be engaged in more stable and certain employment if there is a realization that there should be cooperation between the two railways. I think it is axiomatic that this must be done to secure efficiency on the part of both. If, in the approach to cooperation, there is a combination of the two qualities or factors which I have mentioned, the inevitable result will follow that there will be no cooperation under this board, for the simple and obvious reason that if there is the haunting spectre of a political result following at the end of administrative action, the inevitable consequence will be a continuance of the very conditions which we have in this country. How could Judge Fullerton function, with the conditions prevailing which have been made apparent to this house, neither road willing to move its tracks, each waiting for the other to suggest that the other man's tracks should be moved, and with the realization that there is more trackage than this country can possibly support, as is admitted by every one? In that condition of things, how is the change from trustees to directors going to effect an improvement in the situation? For the responsibility of the government, of the country and of the taxpayer has not been changed one tittle from the recommendations of the commission as embodied in the act. They were stated in somewhat different terms, and that is all that can be said.

A point to which the minister did not direct attention and which I had thought would be in his mind is this: This system of railways has been made up out of not one but many systems. May I read paragraph 84 of the report:

> Representations have been made with respect to the capital structure of the Canadian National Railways. This problem presents several aspects. One is the very large number of companies whose corporate existence must be maintained. Another is the large number of different bond issues and mortgages with different rates of interest, expiring at different periods and with all sorts of different clauses in them. It has been stated that included in the National Railway system there are 251 different bond issues and mortgages; that there are 80 different issues of certificates in the hands of the public; that there are 139 companies whose corporate existence must be maintained; and that 42 separate income accounts and 90 separate balance sheets have to be prepared each year.

Obviously the suggested changes are not going to improve that situation, and so far as capital structure is concerned, no change except by parliamentary action can in any sense deal with that condition. Therefore, so far as that outstanding point is concerned—and we have met it by the appointment of trustees—much will have to be undone that has been done and in the end there will be no progress in that direction. I point this out, because it has its effect upon the situation as a whole.

Then there is a third point, the last one which I desire to discuss in this connection. It must be within the knowledge of the house that when parliament declared that there should be no more funding of deficits it meant that the Canadian taxpayer had to find the money and that thereafter there would be no charge for interest appearing in the Canadian National report. So that the report for 1934 and the report for 1935 do not disclose the real condition, because the interest upon the deficit for 1934 and 1935 is being paid by the country as part of the national debt. Those who are interested will find, at page 19, that in 1935 the interest due the public on long-term debt was $53,468,792.22, whereas in the preceding year it was $55,811,745.85. There has been an economy effected by refunding operations carried on by the government. The interest upon the deficit of 1934 is now part of the national debt of Canada, and the interest on the deficit for 1935 is also a part of that debt. The appointment of directors cannot improve or change that condition unless the government is prepared to capitalize against the railways the deficits from year to year. I would point out further that last year we had to find over $48,000,000, which, added to the income available for interest of over $8,000,000, made the payment on interest account the sum of $56,000,000. That is a very large sum of money.

I wonder whether the members of this house realize that it represents over $1.75 a second. Do they realize that when I speak of something over a million a week it is a large sum of money? Few men have taken the trouble to reduce it to the smallest unit of time. But when I point out that while we sit here, as every second goes by, there has to be provided from some source, either from traffic or from the Canadian people by taxation or by means of an addition to their debt, about $1.75 a second, the house will appreciate the astonishing sum of money which is charged against the people.

During the last few years, especially since 1931, my friends opposite were content to endeavour to throw discredit upon the administration of the railways, to assert that the party in power at that time was anxious to bring about the destruction of the system, whereas in point of fact, day and night, we were labouring to provide the wherewithal to maintain its integrity and solvency from the standpoint of those who held its securities. And in that we succeeded. Hereafter fair minds, those who are able to take a less prejudicial view, will realize that the task we undertook and discharged successfully was a great and difficult one. During the election, it is quite true, as the minister has stated, that the government said they proposed to change this condition. They did undoubtedly so state to the Canadian people; they did state to them that the government of that day was responsible for the condition which had been brought about and that it was intent upon the destruction of the Canadian National system. I can only reiterate that, as the records in that regard indicate, such was not the case; they speak for themselves. It will be found that the appeal which was successfully made to the railway men of the country, the appeal which secured their support in overwhelming numbers for the government now in power, was based upon a wholly inaccurate appreciation of the difficulties of the problem and an unreal understanding of just what was involved. There is no government in any country at any time that is not concerned about employment being made possible for every man within the borders of that country. Every government desires that. But when one is faced with a situation such as we have here; when the statute itself declares that neither amalgamation nor unification was intended or proposed or possible until parliament should speak; when one finds further that the mere suggestion that there should be a lessening of expenditure in connection with express and telegraph systems raised in this house such a cry against the administration of the day, such an upheaval of prejudice and an appeal to the public against the taking of any action, does the minister say that he does not intend now to take action; that he does not propose in any sense to give effect to at least three of the suggestions of these coordinating committees of the two roads? Is there to be some unification of action with respect to express and telegraph services? Are rents to be paid every year for two places where one might suffice? Does this mean to say that while provision is made for these things they shall not be carried into effect lest, peradventure, some

man will find his interest temporarily affected? It must not be forgotten that when the very suggestion was made with respect to these two matters that had been dealt with by the two systems carefully, with much detail and over long periods of time, the result was as I have indicated.

There is still another point to which attention might be directed. So far as my memory serves me, wherever there was a suggestion that certain roadbed be abandoned there went up the cry that this was an effort on the part of the government of the day to destroy the system. One piece of road a few miles in length has been successfully abandoned. The rest of them have not been so treated, although the two roads were of the opinion that some action of that kind might be taken. I do not know to what extent they arrived at conclusions as to total mileage that might be dealt with, but this I do say, that unless the Canadian people are told frankly that there can be no carrying into effect of the recommendations made by the commission; that that cannot be done, they must continue to pay and pay and pay. If it were a question only of paying one would not be so vitally concerned, but there is a limit to the powers of the Canadian people to pay. There is a limit to the power of taxation against our people, and that limit has been reached. If one is not familiar with the history of taxation in other countries; if one does not realize what eleven million people scattered over half the continent are able to bear, one may continue to say: Pay, pay, pay. But the obligation is a direct one. It is imposed upon the people; it must be paid by the taxpayer in the form of interest upon increased securities issued by the country itself and not by the railroad. Unless this commission is entirely mistaken; unless we are so remarkable a people that rules which govern other countries have no application to us; unless it be true that one Canadian can produce as much traffic as two people in the country to the south of us; unless it be true that we are able to operate our railroads more cheaply than any other country, unless it be true—and we have a climate which makes this impossible—that we can operate the railway on a ratio of gross income to operating costs more easily and better than any other country, then of course this legislation can have no purpose and can effect no good. All it means is that you have drawn nearer and nearer politics and business, business administration and political action; that you are that much closer to the demand that clean, frank, honest administration shall be the creature of political considerations and not of business rules and principles. These things are brought nearer and nearer by the legislation which is before us.



I do not know to what extent the members of this house can respond to what they conceive to be a national crisis. I do not believe for a single moment that this country has reached the limit of its powers of expansion or development. But I know that we have provided in this country facilities for a population nearly if not fully twice as great as the present one, much larger, in fact, than that. And our transportation system is threatened by the bus on the one hand and the aeroplane on the other. The number of passengers being carried by air from some of the great western cities to the south of us to the Pacific coast shows a very large increase. I know that the other day four extra planes, carrying twelve passengers apiece, went from one city to the Pacific coast. On the other hand we have the bus system and all these are the products of the internal combustion engine. Yet to-day, notwithstanding the condition that confronts us, one may hear men demand air-cooled trains, stream-lined trains, increased facilities of various kinds, regardless of cost. I wonder whether the minister thinks for a single moment that to put these powers into the hands of these seven men is going to change these conditions for the better. I think not.

I can only say this, that having induced the Canadian people to believe that the late government was the enemy of the Canadian National system, although through the stress and strain of the greatest depression the world has known that government, with great difficulty, maintained the system in its integrity; having succeeded in creating a public opinion hostile to the government of the day on the part of the employees of the roads because they feared that if certain action was taken they would find themselves for the moment with less employment; having succeeded in doing these things, the government now finds that the responsibility rests with it to promulgate a policy. That policy, after all this careful consideration on the part of the minister, consists in the substitution of seven directors for three trustees, and no real change in any other feature, so far as governmental action or control is concerned, except that implied in the statement made the other day by the Prime Minister as to what the effect of this bill was in providing an opportunity to exert power and pressure upon the administration of the road to secure the ends of particular individuals. Apart from that, this bill does not contemplate any change that I can see, anything that makes for the benefit of the road or

for lessening the burden upon the taxpayer. That policy will not solve our railway problems. That suggestion will not in the end help the employees. It will still leave fixed charges to be met. It will still leave the Minister of Finance to worry, as did his predecessors in office, amid stress and strain to find the money with which to meet the continuing deficits of a system which now has fixed charges of upwards of twenty million dollars greater than they were in the glorious days of what was assumed to be prosperity.

It is all right for Mr. Fairweather, at Moncton, to enlarge upon what he says can be accomplished with a gross income of so many dollars and a net income of so much. All I can say is that until there is a clear realization of the obligation of parliament to deal with this problem as one of business and not of politics, there can be no clear-cut solution. It has not come to-day. After listening to the speech of the minister I say that it has not come by this legislation. It will not come until Canadians of all classes, in every walk of life, and of all political faiths, have a clear understanding of what is involved, for with the people themselves rests ultimately the remedy. As long as they are content, without a clear appreciation and understanding of this matter, to keep on making new and fresh demands upon governments for new money, for fresh capital, for better facilities, for improved trains, and for better pay, there will be no solution of this problem. Those who sit to the left of the Speaker and know something of this matter, having been through it, who know the anxiety which attends the maintenance of the system, who understand all too well that man is but a fallible creature and that as long as he desires to promote his own interests in the political sphere he is not very likely, whether he be Liberal or Conservative, to devote too much of his time to a consideration of the fundamental questions themselves, realize that there will come a time, as in every country there has come a time, when the problem will become so acute, the danger so imminent, the risk so great that men will bestir themselves, forget their personal animosities and political difficulties, and rally to a common cause to save from disaster that which they cherish and love. I believe, judging from the resolution which has been produced here to-day, that that day has not come, but some day it will come, and when it does, those who now sit to the left of the Speaker will be found ready and prepared to make such sacrifices as may be demanded for the salvation of the country and the saving of the taxpayer from ultimate ruin.

Mr. R. S. WHITE (St. Antoine-Westmount): I will trespass upon the patience of the house for but a few minutes while I express my regret at the character of the bill, now under consideration, purporting to be a solution of the railway problem of Canada. I do not intend to indulge in recriminations or to stir up the mess that was made some twenty years ago in connection with this railway question, a mess so odorous that it stinks to high heaven. Both parties have to bear a share of the blame; if one overbuilt, the other overbought, and the regret is that in recent years no serious attempt has been made by any party to solve what is to-day the most perplexing and most important subject before the Canadian people, a question upon the solution of which depends the credit and, I venture to say, the solvency of this country.

Now let me cite a few figures to show the serious depths to which we have fallen in the mismanagement of this problem. In 1935 the total cash deficit of the Canadian National Railways exceeded $47,000,000 and the net loss on the system, as set forth in the report, amounted to more than $115,000,000. The debt of the road is $2,809,000,000. If a proper business policy, one that commended itself to men of sense, had been adopted in 1921 when the Canadian Northern and the Grand Trunk Pacific got into difficulties; if these roads had been put upon the auction block and had been taken over by their creditors, more than one billion dollars of the debt of this dominion would have been avoided and no impairment of railway service would have occurred, because wherever roads were necessary they would have been continued in operation by the new proprietors. When the railways were formed into the Canadian National system the total debt was $1,336,000,000. In 1933 the total debt was $2,745,000,000, an increase of $1,409,000,000 in the short period of thirteen years. Since then, that is to say in 1934 and 1935, a further sum of a little more than $200,000,000 has been added to the capital debt. The cumulative deficits of the Canadian National railways between 1923 and 1933 amount to $663,000,000 including interest on loans from the government, or to $303,000,000 exclusive of that interest.

I ask hon. gentlemen: How long can this country continue to meet these deficits without imposing a taxation repressive of trade, and thereby hampering the rehabilitation that we all hope is in the not too distant future? The bill before the house is not even skin deep. You, sir, may remember the story of

Mrs. Partington, as related by that eminent wit, scholar and essayist, the Reverend Sydney Smith. Mrs. Partington was an elderly lady who occupied a humble cottage on the seashore. One day a violent storm came up, causing a tidal wave. The tide approached closer and closer to Mrs. Partington's house whereupon the old lady, who was of a resolute, determined character, rushed to her kitchen, seized a broom and came out and fought the incoming tide. The battle went on, but needless to say poor Mrs. Partington was vanquished and had to give up the contest. The bill before the house will be no more effective in meeting the rising tide of debt and taxation occasioned by Canadian National railway deficits than was Mrs. Partington's broom against that tidal wave.

We sometimes hear of a reconstruction of the capital account of the railway. I have heard in this house and I have read in the newspapers proposals that the capital structure should be written down. What nonsense! You could write it down to one dollar and you would not save a penny of taxation for the people of Canada. Why? Because that is a debt of the dominion government, represented either by bonds issued directly by the government or by bonds guaranteed by the government. To transfer that debt to dominion account from railway account would not lessen the burden upon the people by one iota, but this is what it would do: It would make the position of the railways very much more precarious, because without any interest charges our western friends, and our eastern friends too, for that matter, would sing out for a reduction in rates because of the apparent surplus, and even the employees of the company would begin an agitation for higher wages.

I have always thought that only by some process of unification or amalgamation shall we ever escape from the dilemma which faces us. But I realize that this house, and apparently the electors of Canada, are set against a course of that kind. What then remains? Cooperation with a view to economy. It is true, as the right hon. leader of the opposition (Mr. Bennett) has said, that the railway men of this country did not show confidence in the Conservative candidates in the last election. I think it fair to say that perhaps ninety per cent of the railway employees of Canada are supporters of the present government. Why? Because of their fear that the Conservative party is inclined to a policy of amalgamation. My contention is that by cooperation, if you will, the cost of operation can be gradually and in increasing ratio every year reduced without a single employee in any department of either railway suffering. That economy will be brought about in two ways, by old mortality—Death—and by the pension bill. There will be an increasing number of present employees who every year will disappear by one or other of these means. In that way, with reduced mileage one can in the course of a very few years bring the numerical strength of the railway staff to a parity with the operating needs of the railway.

I was glad to hear the minister intimate that Mr. Hungerford of the Canadian National Railways will probably be chairman of the new board of directors. The leader of the opposition had a complimentary word to say for Mr. Hungerford, though he feared that he lacked back-bone, the ability to say no, a weakness with which I most cordially sympathize, which I attribute to the kindness of his heart. Of his ability as a railway executive there can be no manner of doubt. The late Sir Donald Mann a few years ago told me that in his opinion—and he had some knowledge of railways—Mr. Hungerford is the equal of any executive operating manager on the continent of America. Knowing him as I do, having the high opinion of him that I have, I am extremely glad to learn that he is to be chairman of the board of directors.

Mr. BENNETT: And president.

Mr. WHITE: But I regret that I cannot pay the same compliment to the Minister of Transport (Mr. Howe) who entered public life with a very high reputation for business ability, and with wide experience, and was elevated to one of the most important positions in the government, when he comes to this house with so feeble a measure as the bill before us to cope with so great and momentous a question. He does not do himself justice. He lacks the courage that I expected from him, and allows "I dare not" to wait upon "I would." None the less we shall never get anywhere in the solution of this question by skirting round the circumference of it. We have to get to the core, to apply drastic remedies. In no other way is it possible to avoid what I think it no exaggeration to say is almost impending disaster.

I have spoken on the point that the railway employees have nothing to fear. I have referred to the absurdity of the suggestion that by cutting down the capital account of the railway a surplus can be made to appear. I would say this to the minister: Is there not some lack of consistency in his policy by

land and his policy by sea? He found when he came into office a number of harbour boards upon which were local businessmen, familiar with the needs of the particular ports in which they were residing. He wiped them out and named three gentlemen who are to reside in Ottawa to manage these ports. But when it comes to the railway it is somewhat different; he wants more or less local, certainly sectional direction, and not a commission. I think there is some element of inconsistency there.

But, after all, that is a small matter. What I would plead for is this—and I wish I had more force with which to do it—that this house should apprise itself of, should realize, as the Minister of Finance well does, the seriousness of the situation with which this country is faced in connection with the Canadian National Railways, and that we should shed our party politics. Now, in this first session of a new parliament, is the time in which we should have drastic legislation. Wait a year or two and it will be too late. At least let the government insist—it is going to take the power through this board of directors—upon serious and drastic cooperative steps with a view of reducing these dreadful deficits with which we are faced. Something can be done. And remember this, that to-day if you deprive a community of a non-profitable railway line, the situation is not as it would have been fifteen or twenty years ago when there were no motor cars or motor buses or motor trucks. These are competitive forces that are playing the very mischief with the earnings of the railways to-day, and they are here to remain. So it should be borne in mind, when this question of closing down non-profitable branch lines is under consideration, that communities will not suffer by their closing. Remember, too, that the whole is still greater than the part, and if it becomes necessary for the treasury of Canada to hold out a helping hand to a larger number of people or to continue the present assistance for a yet longer time, its ability to do so will be materially increased by measures of drastic economy in connection with the Canadian National Railways.

Mr. JEAN FRANÇOIS POULIOT (Témiscouata): Mr. Speaker, you are familiar with the French saying, "Ne reveillez pas le chat qui dort," or as we say in English "Let sleeping dogs lie." I have not taken much part in the debates of this house or occupied much of its time since the beginning of this session, and now I have just a word to say in reply to what was said by the right hon. leader of the opposition (Mr. Bennett) this afternoon. He mentioned me by name and praised me for being frank in acknowledging that I recommended some men for shovelling snow along the track of the Canadian National railway. Well, sir, I do not know if that is an offence mentioned in the criminal code of Canada, but here are the facts.

Last winter snow fell in more abundance than in previous years, and a great many men were to be hired on extra gangs by the Canadian National Railways to shovel snow. A great many of them wrote to me here, asking me to give them recommendations. I started to do so, but the number was so large that finally I aked some friends of mine to form a committee for the purpose of giving the work to those who most needed it, as the right hon. gentleman has been fair enough to say. It was not a pork barrel matter at all. It was simply a question of giving help to those who most needed it. This committee, which was composed of prominent citizens in my home town, has done excellent work in classifying according to their needs those who wanted work at shovelling snow. They were classified as, first, supporters of families; second, married men without families; third, boys who were supporting families; and fourth, unmarried boys. That was a fair classification, and in fact the town has been most satisfied with the arrangement because less money has been paid out in unemployment relief while these men have been shovelling snow along the track of the railway. I mention this not by way of excuse or justification but simply in explanation of what happened. My political correspondence is an open book, a big book possibly, but I have nothing to hide in it, and I am very much surprised that the right hon. leader of the opposition did not enjoy the same clear conscience when I asked him to produce papers. He refused and said that it was a confidential matter. But I say to him that he can come and look through my files, provided nothing disappears, from A to Z. I have nothing to hide. What I say to him I say to my people, and what I say to them I say here in this house.

I can tell the right hon. leader of the opposition that if my home town of Rivière du Loup has suffered so much for lack of employment in the Canadian National railway shops it is because of the dirty patronage of the Tories when Sir Robert Borden came into power. As the right hon. gentleman has spoken, let me speak in my turn. There was a man now dead who was Postmaster General in Sir Robert Borden's government. I shall not identify him any more plainly than that. He was a Conservative. There was another gentleman here, a Liberal, a lieutenant-governor of the province of Quebec, and in

order that there may be no mistake he was not of the privy council at Ottawa. These two gentlemen met together in the early nineties in Quebec and invested a small capital of $5,000 in a company called La Compagnie des Terrains sans Bruit, or The Noiseless Land Company. That important company, with a capital of $5,000, and comprising some of the big men of both parties but who should be disowned and denied by all respectable men of all parties, bought a swamp on the outskirts of Quebec at St. Malo as land for railway shops. There were other prominent Tories with them, and they bought this swamp for $5,000 and tried to sell it to the Liberal government when the Liberals were in power. Sir Wilfrid Laurier refused to agree to this, but as soon as the greedy Tories came into power one of their first deeds was to buy that swamp, for which $5,000 had been paid, for the huge sum, comparatively speaking, of $160,000. Some profit, eh, for a swamp! And then what was done? The Tories built a railway shop on that swamp and called it the St. Malo shops.

After the shop had been built they had to bring down men and machinery, and they brought good men from Témiscouata to work in that shop. They brought machinery from the shops at Rivière du Loup. If any member of the house wants to have more information about the matter he has only to look at the Hansard of the session of 1925, my first session, and he will see enumerated there the number of pieces of machinery, important and expensive machinery, which were transferred under Tory rule from Rivière du Loup to St. Malo, and the number of men who were deported from that beautiful city of Rivière du Loup to that swamp on the outskirts of Quebec at St. Malo. That was done by the Tories. Let them rest in peace—but I wonder about that! That is what was done. It was just for graft, and Tory graft, that these good workingmen of the Canadian government railways were deported from Rivière du Loup to Quebec in order to justify that graft of $150,000. It was done at the expense of my home town of Rivière du Loup. That is what the Tories have done, and I am not surprised that the right hon. leader of the opposition turns crimson. He must be ashamed of what his party has done to my dear home town of Rivière du Loup. That is one thing the Tories have done, one thing which they cannot justify, and those who have wrought damage must make reparation. It seems to me that the government of the day was responsible for that wrong done to my home town of Rivière du Loup. It is up to the government of Canada to repair that wrong. I feel quite at home when I complain about the way in which my home town has been treated, and this is the place where I should complain.

There is a lot of hyprocrisy in connection with this matter. We hear it said: Leave the Canadian National Railways alone; do not touch it. I hear some so-called important business men say: Do not touch the Canadian National Railways. Does the right hon. gentleman suggest that the people of Canada, who have an interest in this system valued at more than two billion dollars, should not be interested in its operation? If I have an interest in a two million dollar concern and am walking down the road and this concern is on the right, am I to keep my eyes left? Am I to do that when by looking through the windows I can see what is going on? We are 245 members who represent the people of this country, and to whom the people have said: You are to look after the future of this country for the next five years; you are to support a government that will express the views of the people for the better management of this country. You are to be just rubber stamps; you are to give powers of attorney to a certain number of men who will do the business, who will look after the railways and the other business of the country and you will not have a word to say about it. A business worth over two billion is worthy of consideration. Are we to give a blank cheque in connection with this? Are the members of parliament to be criticized because they want fair play in connection with the management of the Canadian National Railways, because they want fair play for the men, for the passengers and for the management, even when they do not realize it themselves?

The hon. member for St. Antoine-Westmount (Mr. White), one of the two deans of the house, a gentleman much respected, has said that Mr. Hungerford was weak. One has to communicate with the management of the railways. If I write to the Minister of Railways and Canals (Mr. Howe), asking for information about expenditures in connection with which the railways come here for assistance, I am told I cannot have it. This is the same information as I received last year. There must be a nigger in the woodpile. How is it that I cannot have the information asked for? It is because of the legislation brought down last year and the year before. It would be better if the leader of the opposition did not smile at that because he will remember that the suggestion was made in the house that the Canadian National-Canadian Pacific bill should be submitted to the committee on railways in order that the mem-

bers of that committee might have an opportunity to examine Mr. Hungerford and Sir Edward Beatty and obtain the information necessary properly to discuss the bill. This request was denied me by the previous Minister of Railways and Canals, Mr. Manion, on the plea that it would be too expensive. After plenty of trouble on the part of an hon. gentleman in the senate, I was able to obtain the information that the cost of summoning witnesses before the senate committee in connection with this bill was the enormous sum of not a single cent. Yet the previous Minister of Railways and Canals was bold enough to say that because of economy he must refuse the members of this house the privilege of asking questions of these witnesses.

When the hon. member for Bellechasse (Mr. Belanger) was asking questions about the tremendous expenditures on strawberry jam, he received no answer. It was absolutely impossible to get an answer to a query about this man Laforce who has done more than anyone else to place settlers upon the rocks in impossible places. We are told that these things are not in the interests of the country. How is it they are not in the interests of the country? We are here to discuss Canadian National business and when we ask for information we should receive it. This information was refused in the past, but we must have it if we are going to correct these things.

We hear a lot about the so-called business men of this country, but I think it is time the truth was told about the millionaires of Canada. Most of them are short-sighted. If the country is in trouble, it is because of the silly experiences of these people. If it has survived, it is not because of the millionaires; it is because of the small traders who have more business acumen than most of these other fellows who have become rich at the expense of the people through watered stock.

These are the facts. From the way in which discussion is being carried on in this house, in the senate and in the press, one would think we are making a political joke of the Canadian National Railway and the Canadian Pacific Railway. This is most absurd. If they come here for money, we must know for what that money is intended. If we are to investigate the business of the Canadian National Railways, we must do the same in connection with the Canadian Pacific Railway. It is only fair that this be done. The number of men unemployed has been increased enormously because of the increase in unemployment brought about in the ranks of the employees of the railways by the policies of the last government. When the bill was discussed in 1932 and 1933 the Liberal members stated very clearly that the best way to bring about a revival of business and prosperity in the country was to bring about a revival of trade. Two years later the then Minister of Railways and Canals and the right hon gentleman who is now leader of the opposition repeated the same thing. They did not realize that it was because of their stupid tariff policies that trade had decreased bringing about a decrease in the income of the railways.

I do not intend to speak at great length about this matter and I rise in order to prevent the house from forgetting about these things. The right hon. gentleman's policy was a complete failure and fiasco, but he is ready to give advice to all—take it or leave it; I am the only one who is right. He takes himself quite seriously. This is most extraordinary as what he should do is to hide himself under his desk. He has not the least sense of responsibility for what has happened during the last five years. No one in this country has forgotten it, but he comes to this House of Commons just as though he had received a mandate from the people in the last elections. Oh, stupendous! Has he no calendar? On the calendar for last year there is one word in particular, and there are two numbers, in flaming letters. There is the month of October and there are the two figures "1," "4"—October 14, the day on which the people of this country passed judgment on the last administration, which was making an effort to survive its period of five years from July 28, 1930, to July 28, 1935. August passed; September passed and two-thirds of October passed before the right hon. gentleman handed over the reins of power to another administration. Think, sir, of the misery, the anxiety and the worries that have been experienced in every house during the last five years. The country was getting weaker and weaker though the voice of the right hon. gentleman was still strong, assuring the people that there was no depression. Most incredible! I do not want to be hard on any one and this speech is most lenient, but we must think of the responsibilities we have here. The right hon. gentleman has his own responsibilities, and they are great, but they are not greater nor are they less than those of any of his colleagues in this house; they are the same. He must therefore face the facts as they are and must not build skyscrapers on the head of a pin, nor can he build skyscrapers on nothingness.

Here are the railways. The Canadian Pacific Railway was favoured, in spite of the fact that it was a private company. Let us

remember the letter signed by the right hon. gentleman in his own hand and under his own seal before the matter was submitted to his colleagues, pledging the responsibility of this country for $60,000,000 for the Canadian Pacific Railway.

Mr. BENNETT: I am sorry to interrupt, but that must be withdrawn; it is inaccurate.

Mr. POULIOT: Well, sir—

Mr. BENNETT: I ask that the statement be withdrawn; it is not true.

Mr. SPEAKER: I ask the hon. gentleman to withdraw the statement.

Mr. POULIOT: Withdraw what? The thing has been published in the reports of the banking committee. You, sir, were a member of the banking committee and you remember very well—

Mr. BENNETT: Is the power of this parliament and of this house entirely gone? Is the Speaker to be entirely disregarded?

Mr. POULIOT: Sir, I will call for a copy of the reports of the banking committee and I will see the whole thing. If I am wrong I will withdraw; if I am not wrong I will not withdraw, because I remember distinctly that at the time the right hon. gentleman gave a guarantee to the railway for $60,000,000 before an order in council was passed. I wonder whether the right hon. gentleman can deny this now.

Mr. BENNETT: I have already indicated that the statement made by the hon. gentleman is inaccurate. The facts are, of course, well known and there was never anything about the matter that was unknown. The facts were published, as he says; they were made known to the house. I in my place made them known to the house. There is no doubt about a letter having been written, but it was not a letter of which my colleagues had no knowledge; on the contrary it was discussed with them. I do not think this house should permit itself to be entirely deprived of its authority at the instance of one man.

Mr. SPEAKER: The hon. gentleman should take the word of the leader of the opposition.

Mr. POULIOT: I accept the word of the right hon. gentleman inasmuch as it is in conformity with the report of the banking committee. But, sir—

Mr. BENNETT: That is not good enough; that cannot possibly be good enough in this house.

[Mr. Pouliot.]

Mr. POULIOT: I surely will not do more than that.

Mr. SPEAKER: I think the hon. gentleman should withdraw the remarks he has made.

Mr. POULIOT: Well, without prejudice. Now, to sum up—

Mr. BENNETT: I must say that I have no greater interest in this house than has every other of its two hundred and forty-five members in seeing that order is maintained. But can this house maintain its position with that sort of conduct?

Mr. SPEAKER: I ask the hon. member for Témiscouata to withdraw the remark.

Mr. POULIOT: Mr. Speaker, I want to tell you that I have heard very little of what has been said either by the right hon. gentleman or by yourself, and I regret it very much, but I am not going to give a blank cheque either to the right hon. gentleman or to yourself, with all the respect that I have for you. When I cannot catch what is said by the Chair and by the right hon. gentleman it is very difficult for me to give my own views of what has occurred. In fact, sir, you know very well that I always stand by the rules, although at times they are wrongly interpreted.

Mr. DUNNING: I am sure my hon. friend is correct in what he has just said; he does desire to abide by the rules of the house, I know. One of those rules is that upon a member denying something within his own knowledge and relating to himself that denial must be accepted in an unqualified manner by any member of the house who is speaking. The right hon. leader of the opposition has denied in unqualified terms a certain allegation made by the member for Témiscouata. The Speaker has requested my hon. friend to withdraw, and I suggest, in the interests of maintaining the dignity of the house, which I know he desires to do as much as any of us, that that withdrawal should be entirely unqualified.

Mr. POULIOT: Well, sir, I will tell you how I understand it.

Mr. SPEAKER: Order. I have rendered my decision and asked the hon. member for Témiscouata to withdraw.

Mr. POULIOT: I will see the book before withdrawing. Au revoir, sir. If I am right I will not withdraw and if I am wrong I will withdraw.

Mr. A. A. HEAPS (Winnipeg North): Mr. Speaker, I have listened most attentively this afternoon and evening to the speeches made in connection with this very important measure, and I realize, with those who have already spoken on the question, the magnitude of the problem that confronts parliament. This is one of the most important matters that parliament has to deal with. May I for a moment or two deal with some of the statements made by the Minister of Railways (Mr. Howe) in this chamber in introducing the measure. I was sorry in a way to note what the minister had to say with respect to the board of trustees; I felt as he was speaking that he was not doing justice either to himself or to this house. Here we have a board of three trustees who, being appointed by parliament, are in a sense employees of this house. Their lips are sealed; they are not in a position to answer the criticism that has been made of them by the minister in charge of the transportation system of this country.

I notice that he pointed out that two of the trustees are members of the legal profession. He inferred that for that reason they were not qualified to deal with matters pertaining to railways. There may be something in the minister's contention; in fact I think that, as a general criticism of lawyers, he may be entirely correct. But I suggest that before he levelled that criticism against the board of trustees he should have looked immediately round him and seen what position he was in. For what do I find? The Minister of Public Works (Mr. Cardin), whose function is to look after buildings and to erect buildings, is not an architect, an engineer or a builder; he is merely a lawyer. The Postmaster General (Mr. Elliott, Middlesex), is also a lawyer. I wonder what lawyer knows about the work of a post office. Another lawyer, the Minister of National Defence (Mr. Mackenzie), is in charge of the defence of this country. According to the same maxim of course he should not be occuying that position; we should have some one who really knows something about military affairs. Then take the Minister of National Health (Mr. Power); I wonder what lawyer knows about health. In the past it has been customary for successive governments to appoint a doctor to the ministry of health, but now we have a lawyer. This all makes me wonder how the Minister of Railways can manage to sit in with all these lawyers and still believe that they are capable of fulfilling functions for which they are not trained. Further, we have another lawyer, as Minister of National Revenue (Mr. Ilsley), in charge of a department of the government which deals with customs and matters of that kind.

Mr. DUNNING: Are not lawyers good collectors?

Mr. HEAPS: Sometimes. Then the Minister of Fisheries (Mr. Michaud); what does a lawyer know about fishing? Somebody says that he knows how to look for suckers. May I say in conclusion that the Minister of Agriculture (Mr. Gardiner) is also a lawyer.

Some hon. MEMBERS: Order.

Mr. POWER: Take that back.

Mr. HEAPS: I withdraw it. But I notice that the one farmer in the cabinet is the Minister of Mines.

Mr. DUNNING: The Minister of Agriculture is a farmer.

Mr. HEAPS: Is he not a lawyer too?

Mr. DUNNING: No.

Mr. HEAPS: So much to his credit. I was merely suggesting that before the Minister of Railways criticized the board of trustees because it contains a couple of lawyers, he might look round in his own cabinet and see how well lawyers are represented in the present government.

It has been claimed that this problem is probably the greatest that the present parliament has to face. My personal feeling is that the railways are suffering from the same economic depression as is the whole of the rest of the dominion. I do not think there can be a prosperous railway structure while the country as a whole is in a depressed condition. When this government has solved the economic problems of the time; when it has brought about a condition of prosperity in the country, we shall probably not hear so much about railway deficits as we are hearing at the present time. I do not believe that any economies we may effect can entirely solve the railway problem. The minister, speaking this afternoon, appeared to chide the existing board of trustees because in the eighteen months or two years that they have had charge of the railway transportation systems of this country they have not brought about sufficient economies. He and those who succeeded him this afternoon were unable to tell this house how savings were to be effected excepting in one direction, namely through a process of amalgamation or co-operation or pooling of the services of the two main transportation systems. That would involve laying off vast numbers of men who are to-day employed by the railways. I contend that the government will not solve this or any other of our national problems by aggravating the unemployment situation. If it is the avowed intention of the government to force upon a new board of directors a method

by which there will be greater cooperation between the two railways, the first thing the government should do is to protect the men who will be affected by such a process. It was claimed, I think by an hon. member who spoke a few moments ago, that there would be no further unemployment of railwaymen if we had a greater measure of amalgamation of the two railway systems. He said that the normal mortality among railway employees and the pensioning of older employees would be sufficient to take care of the situation. I do not accept that as being a correct analysis. It might hold good if there were no births in this country, but as the older generation passes away there is always a younger generation looking for employment, and if employment in the railway shops is reduced this will prevent the younger people from being absorbed into what are, after all, useful occupations.

The minister also stated that the trades unions of Canada were strongly opposed to the act of 1933. That is perfectly true. Those who represent the railway trades of this dominion object to the continuous tampering with the management of the Canadian National railway system. It is less than two years since we put in the present board of trustees, and now, for no apparent reason, a new board is to be appointed in their place. How in the name of common sense can we expect anything in the way of confidence on the part of the railway men or any one else in the management of the railways if we are going to have these continual changes, without any apparent reason? It has been suggested by the leader of the opposition that if the board of three trustees had retired there might have been no necessity for the introduction of a bill of this kind. I cannot speak as to that, of course, but I do think that if it is the intention of the government to appoint a new board, consisting of seven men, it should be selected in such a manner that there shall be something in the way of permanency for the men who are to be given that new and very responsible position. I suggest to the minister and to the government that, if it be at all possible, the leaders of the various parties in this house should get together and see whether they could not agree among themselves on seven names to be submitted to parliament as the board to take charge of the Canadian National railway system.

It was suggested that the railway employees were opposed to the changes made under the act of 1933. Well, I can speak for some of the railway organizations and I want to say that they are just as much opposed to the changes being made by the government now. I want to say further that if the government had been as frank in expressing its intentions last October as it is at the present time a good many votes that were cast in favour of the government probably would have been cast against it, because I have personal knowledge of large numbers of men who voted for the Liberal party because they believed that by doing so they were safeguarding to the utmost the entity and integrity of the Canadian National railway system, just as in 1930 vast numbers of employees of the Canadian National system voted for the slogan, "Competition Ever, Amalgamation Never." We are asked to keep this question out of politics. Well, some of us are very anxious indeed to keep the matter out of politics in order to give the Canadian National system a fair opportunity to make good and to give the people of this country the service they have a right to expect from a nationally owned public utility.

In addressing the house this afternoon the minister also spoke of the human element. In 1933, we in this corner moved amendments asking that the employees on the two railways who might suffer as a result of closer cooperation between them should be given that measure of protection which they have a right to expect. If we bring in a similar amendment this year I wonder whether the government will be prepared to afford that protection. In 1933, when we made that proposal, we were glad to receive a large measure of support from members of the Liberal party. I hope we will receive the same measure of support when we propose a similar amendment in connection with this bill.

So far this question of the deficits of the Canadian National seems to have baffled the best brains we have been able to gather together in the Dominion of Canada. Let me refer for a moment to the commission that was appointed in 1932, the Duff commission. On that commission there were gathered together some of the best railway experts it was possible to secure; yet when the report was summarized and analyzed and presented to the house we found that they really had no solution for the problem of transportation in this country, except the solution of economies and cooperation between the two railways. I do not believe that is sufficient to give this dominion what might be called a sound financial structure for the national railway system. It may be said that I am indulging in negative criticism, and I may be asked what we are going to do about the

matter. The fact is that the railway problem is not one of our own making; it is something that was created by people of generations gone by, but it is something with which we must presently deal as best we know how. On this railway commission, as was pointed out this afternoon, we had the chief justice of the Supreme Court of Canada; one of the most experienced railway men of the United States; one of the most experienced railway men of Great Britain, and, among others, Sir Joseph Flavelle, who is one of the best known business men in this country. As a matter of fact we had on this commission some of the most hard-boiled business men in Canada, but after they investigated this problem from all angles they were unable to find a real solution. They brought in a report to which I believe the existing board of trustees has been doing its best to give effect, but without avail. It appears to me that, even though economies may be effected here and there, there is at the present time no solution, with the possible exception of the one to which the government is pledged, which is to increase the trade of this country both internally and externally in order that greater revenues may accrue to one or both of our railways.

There is one point which I should like to drive home with all force possible, and that is the question of the men who are employed on these railways. I will protest as forcibly as I can if efforts are made to amalgamate the services of the two railways unless at the same time provision is made for the men who will be affected. Large numbers of men were affected by the cooperation between the two railways in the Montreal, Toronto and Ottawa services; those men were laid off with very little consideration, though in many cases they had seniority amounting to ten, fifteen or twenty years. I remember when the matter was raised on the floor of this house at that time; the then Minister of Railways said that if it could be shown that any injustice was being done in the way men were being laid off, with no provision being made for them, the government would consider what action should be taken, and the government would be sympathetic to a proposal which would provide compensation to the men thus laid off.

I should like to point out to the minister that men who are laid off as a result of an act of this kind are in a completely different position from those who might be laid off as a result of slackness of work or for similar reasons. Men employed by the railways will lose their jobs because of an act of parliament; they will lose their livelihood because of something done by parliament, and in that case parliament has a responsibility to the men so affected. Because of that fact we of this group in the last parliament moved certain resolutions which at that time were defeated, but which we hope will receive a more sympathetic reception when the proper time comes.

There is very little more that I wish to say in connection with this bill, though I may have something to add when we are in committee. I hope, however, that when the bill is in the committee stage we shall have a more detailed statement from the minister as to his intentions and those of the government in regard to this matter. He has not told us very much thus far. He said, of course, that the government desired to change the provision concerning the board of trustees because it had not gone far enough in the direction of economies on the Canadian National system and in bringing about a greater measure of cooperation between the two railways. When we are in committee I want that part of the minister's statement amplified to a much greater extent, and I trust that we shall receive a great deal more information than the minister vouchsafed to the house this afternoon.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, if there is one thing for which you can give the late government credit it is the way in which they handled this railway problem. On the second reading of this bill, no doubt, under the rule of anticipation members will be forbidden to deal with the whole railway problem as it should be dealt with in this house; we can deal only with the amendments proposed to the act of 1933, and I have particular reference to the establishment of a tribunal as between the two railways by the 1933 act as it has been amended by the government of the day.

Notwithstanding the pronouncement made by the government and members of the cabinet in the last election and the one hundred and seventy members elected, the action of the government on the railway problem as found in this bill is very unsatisfactory. The government so far refuse to state their policy. As I see it they are going back to the "big I" days of 1921 to 1930, when this tremendously extravagant expenditure such as was never before known in the British empire went on: Hotels, golf courses, useless duplications, needless branch lines and waste. This bill is a going back to the old days of the lack of control of parliament over these expenditures. On April 6 last, without any notice from the government, without any mention of the matter even in votes and

proceedings, with sixty per cent of the members not present in this chamber, the most important motion of the session was passed, handing, over the head of parliament, to a select committee known as the committee on railways and shipping owned and operated by the government the whole budget of the Canadian National Railways. This railway never was under public ownership. Two railway systems are dealt with in this bill, the Canadian National and the Canadian Pacific; one is supposed to be publicly owned and the other privately owned, although the privately owned one received grants, bonuses, subventions and subsidies by cash and land grants and guarantees. The Canadian National was never under public ownership; it was a number of privately owned roads that were not able to succeed and were amalgamated under the Canadian National system. The mistakes of that system were almost entirely due to private ownership. Throughout its whole history the Canadian National was never under public ownership. After it was taken over by the government the first board under Mr. Hanna made a real effort to take the road out of politics and succeeded. Since then two commissions have been appointed and both commissions have recommended something in the way of a tribunal to hold the balance between the two railways.

In 1917 in the days of the Union government parliament had the Drayton-Acworth report. When the Liberal party took office in 1921 they entirely ignored that report. In the first place the railway commission were supposed to be the arbitrators, but they had no control at all. Then the government of that day decided to appoint a sort of star chamber committee known as the committee on railways and shipping, and that committee was substituted for the commission. The minister would rise in the house and nominate the committee and that would be the last heard of the railway problem for the session; parliament handed the problem over to this star chamber committee, whitewash committee I call it, and I attended it many times. I was summoned before the committee once to give some evidence about a national coal policy, and the head of the railway told me that I was proposing an unscientific system of freight rates or lunch counter system of freight rates for coal, and the railway officers opposed that policy for three or four years and then swallowed it. Both these reports recommended some kind of tribunal to co-ordinate the railways. The management of the Canadian National Railways in 1922 moved the head office from Toronto to Montreal, starting off badly, because the old Grand Trunk which formed the best part of the system was a good, solvent railway, and made its money in Ontario. It went into bankruptcy owing to the "big I's" of the Liberal party. I assess the blame for the railway situation for fifty years about eighty per cent to the Liberals with their Grand Trunk Pacific and Canadian Northern, and twenty per cent to the Conservatives.

The government and the Minister of Railways from 1922 to 1930 were never in favour of public ownership. They launched out on a policy of extravagance in the building of branch lines and useless duplications, spending over the head of parliament, more than $500,000,000; with interest added it would go away over that amount, parliament having no control whatever of this expenditure. In that connection they violated almost every line of the Drayton-Acworth report which recommended that there should be no building of branch lines or extensions, and no renewal of charter should be granted by parliament until a report had been made to the Minister of Railways by the railway committee and the board of railway commissioners as to whether these branch lines were in the public interest. That policy was ignored and the result was that a great many expenditures were made which should not have been. Matters got into such a bad state that in 1931 the government appointed a royal commission of which the present chief justice of the Supreme Court of Canada was the chairman. That Duff commission made a very fine report. I do not know where this country would have been to-day if the late government had not passed in 1933 the Canadian National-Canadian Pacific Act to implement the Duff report. That proposed some measures of coordination. The commission recommended that the identity of the two systems should be maintained; that the management of the Canadian National should be emanicipated from political interference and community pressure. But we had this body of fifteen men called directors before; it was a little larger in number; one would almost think they were selected as a campaign committee of the Liberal party, a board of directors who did not direct, who knew nothing at all about railways. They were brought here and would meet round the table of this celebrated committee on railways and shipping, where everyone was smoking. They passed the first item and the last and parliament knew nothing about the matter; it was whitewashed in this committee and we could not ask a question about the railways.

As to the second recommendation, that the management should be emancipated from political interference and community pressure, under this bill the government is going right back to where things were seven years ago. The third recommendation was that machinery should be provided for co-operation between the two systems for the elimination of duplicate services and facilities and the avoidance of extravagance. One of the best equipped and most honest men appointed on any commission in Canada was F. K. Morrow of Toronto, a brilliant and most popular and gifted young business man who served without salary, and spent almost his entire time in an attempt to carry out that recommendation with great success for the entire system and the taxpayer. The fourth recommendation was the attainment of a scale of economies which would bring the burdens of the national system within reasonable dimensions, and effectively check extravagant and costly operation; and, lastly, there was recommended reasonable protection for the privately owned undertaking against arbitrary action on the part of the publicly owned undertaking, a very wise recommendation. They recommended strongly against amalgamation, and the jurisdiction of this proposed arbitral tribunal and what its powers should be, were set forth very fully, but by the proposed amendments in this Bill No. 21, the powers are going to be vetoed. The old board from 1931 to 1936, tried to run this railway on a commercial basis, but now this board of seven is to be set up to undo the good work. The government should announce who the board are before we pass the bill. We had one "sevenfold amen" commission announced the other day, on unemployment; now we have a second commission, and probably men associated with the big St. James Street interests will make up this tribunal.

I have very little faith in the amendments which this bill proposes. The Duff report goes into the question of the jurisdiction of the arbitral tribunal. It recommended that it should have jurisdiction in relation to the following matters:

(a) Joint use of terminals.
(b) Running rights and joint use of tracks where there are actual or functional duplications, or where such may be avoided.
(c) Control and prohibition in respect of the construction of new lines and provision of facilities and additional services where no essential need of the public is involved.
(d) The joint use of facilities where this would promote economy or permit the elimination of duplicating or unremunerative services or facilities.
(e) Abandonment of lines, services or facilities.
(f) Pooling of any part or parts of freight traffic or of passenger traffic.
(g) Things necessarily incidental to the above enumerated matters.

There is a wise provision for a tribunal that is to sit and decide on questions of coordination between two railway systems, one privately owned and the other publicly owned. The three gentlemen who composed the board of trustees for four or five years did their utmost and effected a great many economies along the lines of the Duff recommendations.

I fail to see how this new board can act efficiently if we are to go back to the old order and have politics enter into the administration of the railway. On page 67, in paragraph 226, the Duff commission makes this recommendation:

> We feel compelled, as a matter of public duty, to strike a serious note of warning to the people of Canada. Unless the country is prepared to adopt the plan we have proposed, or some other equally effective measures, to secure the efficient and economical working of both railway systems and thereby not only reduce the burden on the federal treasury but improve the financial position of the privately-owned railway, then the only courses that would be left would be either to effect savings in national expenditure in other directions, or to add still further to the burdens under which the industries of the country are suffering by the imposition of yet further taxation. Failing the adoption of one or other of these courses, and there are obvious limits to their application, the very stability of the nation's finances and the financial credit of the Canadian Pacific Railway will be threatened, with serious consequences to the people of Canada and to those who have invested their savings in that railway.

But by this bill we ignore the recommendations of the Drayton-Acworth commission of 1917, and the Duff commission of 1931-32, and are going back to the administration we had in the old days, because in my humble opinion you will not be able to keep politics out of the railway. If we are going to elect directors by sections and from classes, the sectional aspect is bound to be looked at instead of the commercial aspect, and you are going to have politics back in the administration of the railway. I was confronted with the same kind of situation when Toronto took over the city's street railway in 1921. We had clamours and agitations from all classes of citizens, from labour and capital, wanting to be represented on the board that was to administer Toronto's transportation system. But we selected a board of three men; by statute their powers were limited, and they were able to administer the city's street railway from the commercial aspect and to effect economies. That is the kind of board we

should have to administer our publicly owned road and the privately owned road in this country. If politics had been kept out of the administration of the railway, hundreds of millions of dollars would not have been wasted. The time has come when the Canadian National Railway must be given a chance. It has not had a chance so far. The offices should have remained in the city of Toronto, in Ontario, a public ownership province, instead of being moved to Montreal, because the effect of that was that when the Canadian Pacific Railway wanted to do something the Canadian National from the years 1922 to 1930 used to say: Me too. The failure of the national railway to act in its own interest and in the interest of the public is one of the reasons for the present railway situation.

As I say, Mr. Speaker, in some respects Bill No. 21 ignores the Duff report and the Drayton-Acworth report and puts the administration of the railway back where it was for ten years, when politics entered in. Questions that might well have been taken up by the board were such matters as suburban services, commutation tickets, cheaper fares for week-ends and holidays, the problem of the inroads made by bus and motor car competition, but the political directors of the national railway simply stood still and did nothing to meet this competition.

I would like to know what is going to happen to parliamentary institutions in this country when almost every day the government is appointing some commission or another, taking away the powers, prerogatives and privileges of members of this House of Commons and turning them over to a commission. Parliament should be safeguarded against the star chamber secret methods of the committee on railways and shipping. The people have a right to know what is going on in the publicly owned road; they have a right to know how it is being run. Are we again going to allow the management to run up bills of four or five hundred million dollars, as the management did from 1925 to 1930, before parliament can find out anything about the expenditure, and then have us hold a post mortem on it? We have full publicity in some things. The newspapers give great publicity to murder trials, sport and many other things, but most of them at the present time seem to have forgotten that parliament is even sitting. Some of the largest newspapers do not give half a column daily to the proceedings of parliament. I do not know whether we deserve more space or not, but I find page after page of the newspapers devoted to murder trials, sport, and many other things, while, with the exception of four or five newspapers, hardly a line is devoted to a debate on the deficit of forty or fifty million dollars on the nationally owned road. Few newspapers pay any attention to the sittings here.

I have been very much disappointed with the committee on railways and shipping. Attend one of their meetings and you will see the directors and officials sitting round a table. The committee takes up one item, asks a few questions and then goes on to the next. They might just as well not meet at all. It is nothing but a whitewash. I have attended meetings of the committee for five or six years, and I have never seen the committee conduct its affairs. They let the officials and directors of the road run the whole committee over the head of parliament. We have no control over them whatever. I am absolutely opposed to secret discussions and that sort of committee meetings. It is not Liberalism as I see it. They pass the buck to a committee without any notice of motion. Nobody knows what the policy of the government is on this particular problem or if they favour a merger or not, and the final result will be that the committee on railways and shipping will bring in a report and we shall not be able to ask any questions. What right have the public and members of parliament? Why should the members be ignored in this way? The whole problem will be sent to a committee of this house, and the last state of the Canadian National Railways will be worse than the first.

The heads of the Canadian National Railways in 1924 and 1926 told the railway commission that they had nothing to do with the administration of the railway. They ignored the railway commission and started on a spending bee, the like of which has never been seen in any other country, building golf courses, hotels and branch lines all over Canada under the direction of the "big I," and building hotels extra-territorially. They sold for $50,000 some ships which had cost one or two million dollars and which could have been converted for use in carrying coal from the maritime provinces to the head of the lakes. With a slight change in construction they could have been utilized to carry coal from the head of the lakes to central Canada and from the maritimes to the head of the lakes. Last year 2,800,000 tons of maritime coal were carried to the head of the lakes. Why did they sell these particular boats for such a trifle? The government may have 170 members but the rank and file seem to have no chance at all in this house. Just the other day three private members asserted the rights and privileges

of a member of parliament. If these rights and privileges of private members had been asserted twenty or thirty years ago we would not have had the Grand Trunk Pacific or a third transcontinental known as the Canadian Northern foisted upon the people of this country. This would not have happened if the private members had asserted their rights and privileges and fulfilled the functions which they were sent here to perform. We have got to the same state of affairs where last week three government members rose to criticize a bill to appoint another commission. As I say, if we had had a little more independence in the house, if private members had asserted themselves as being opposed to this secrecy in connection with railway administration, we would not have the spectacle which we have to-day.

There is one thing for which the previous government and the leader of the Conservative party deserve credit. When the present leader of the opposition (Mr. Bennett) came into office in 1930 he decided to have a survey made of this problem. For years he had sat in parliament and had seen hundreds of millions of dollars being voted for these railways by the government of the day, from 1921 to 1930, some of which money was being spent without the authority of parliament and without parliament being aware of the expenditure. The result was the Duff report which was presented to parliament in 1932 and which was implemented in 1933 by chapter 33 of the statutes of that year.

The old board of directors in 1926 consisted of fifteen members and the government is now suggesting a board of seven. If the board consisted of only three members it would be closer to the mark. This board proceeded immediately to run the railway in a manner similar to the way in which some of the railways in the United States were being run. A group of the Van Sweringen railways in the United States consisting of the Nickel Plate, the Big Four and the Chesapeake and Ohio recently went into bankruptcy and were bought back for a sum less than $3,000,000. When the head of this Canadian National Railways took office he carried out policies similar to those which had been carried out by these roads by the Van Sweringen brothers. Sir Henry wanted to place 1,000,000 more grain growers into the Peace river district. Parliament knew very little about this, but it objected. Where would we be in these days of depression and reduced traffic on the railways if this had been carried out?

The more I see of this thing, the more I realize that we have no opportunity to deal properly with it. Only the other day this whole problem was shunted off to a select committee without one word being said or without any notice being given in the votes and proceedings. I have very little faith in the proposed board of directors of seven to be appointed. They are going to have this railroad back to where it was ten years ago—in politics. This board of seven will be merely figureheads because they will know no more about railroads than they do about shipping. We must not blame public ownership for what will happen, as public ownership will have nothing to do with it. That type of ownership has shown what it can do in the municipalities and the provinces and it could show it here if given a chance. But public ownership will have no chance in Ottawa as long as we conduct our affairs the way we do.

Mr. F. C. BETTS (London): Mr. Speaker, I should like to add a few brief remarks to this debate. First of all, I should like to direct the attention of the minister and the house to what I consider to be a somewhat important omission in the present bill. It will be recalled that in our Canadian National-Canadian Pacific Act, 1933, there was a clause inserted to provide for the protection of the employees. Despite the fact that the constitution of the board of management was being changed through the substitution of three trustees for seventeen directors, this was to have no effect upon those who were employed by the road. I shall read the section to make it abundantly clear. Subsection 5 of section 9 of the act of 1933 reads:

> Subject to the terms of this act, and until otherwise provided or directed under its authority, every operation and service of national railways shall continue and be continued by all persons now concerned therewith as if this act had not been passed.

The main function of the present bill is in a sense to bring back matters to the status quo, that is, to substitute a board of seven directors for the three trustees. I cannot help feeling that if the subsection I have just read was proper in the act of 1933, it is eminently proper in the bill we are now considering and I cannot understand why it should have been omitted. If it has been omitted through inadvertence, I suggest respectfully to the minister its utility. On the other hand, if it has been omitted in order to remove what would be a restriction upon wholesale political dismissals, then in the interests of the employees of the road I want to deplore this omission and put myself on record to that effect.

I cannot help being struck by the action of the government in increasing the board of management from three to seven. If there

ever was a party that manifested the need of economy in its election campaign, it was the Liberal party. Frankly, I do not see any justification for increasing the board of management to two and a half times its former size. I do not know where the minister of Railways and Canals (Mr. Howe) got the idea of doing this, but I am sure that there is one of his colleagues whom he did not consult. I refer to the Minister of Trade and Commerce (Mr. Euler). When reading over the debates leading up to the passage of the act of 1933, I was very much struck with the manner in which the Minister of Trade and Commerce led off for the Liberal party. At that time he used these noble words:

> I support the bill for the second reason that the establishment of a small body of trustees of three or four, as the case may be, will promote efficiency in the conduct of the Canadian National Railways.

Later on, referring to the parliamentary committee on national railways and shipping, of which he was a member, he said:

> —we are in favour of a reduction in the number of those who are to form the board of management of the Canadian National Railways.

I would hate to think that the Minister of Trade and Commerce was in favour of a small board when we were in power and doing the appointing, but is in favour of a large board when he and his friends are in that position. I hate to think that, but I do not know what else to think. I have to try to get what comfort I can get out of the statement that the effect of this legislation will be to bring the operations of the railway more closely under the administration of the government of the day. I take it that is one of the functions of the bill, and if it achieves that function I would ask the Minister of Railways to pay some attention to the conditions under which some of the men are now forced to work. I will give a concrete example to show what I mean. In the car shops in my riding—and I fancy this applies to other ridings as well—before cars are repainted they are subjected to a sand blasting process. The old paint is removed by means of sand forced under pressure through a hose. That raises a most dense and suffocating cloud of very fine dust which in the opinion of medical authority tends to bring about the disease known as silicosis. I visited the shops in London to see the process in operation and made careful inquiries, and I must say that it seems to me these men are working under conditions to which they should not be compelled to submit. I found that they were equipped with masks, and I was told that the masks were the best that science provides at the present time. The main criticism, to my way of thinking, is that although this operation is performed in an enclosed space and not on the outside of a building where all dust is blown away, is done in an enclosed shed, there seems to be no proper draft system. This is something which is of great importance and something which I would direct to the attention of the minister. It is a matter that should be carefully considered before any more refinements and luxuries are introduced into passenger trains. For example, I read in the Mail and Empire of April 13 last this news item:

> Air-Conditioning Making Progress
> Canadian National Railways Announce Plans to Extend Service
> Dust Is Eliminated
>
> Montreal, April 12.—Good progress is being made with the air-conditioning of equipment for use on the lines of the Canadian National Railways, according to C. W. Johnston, general passenger traffic manager. A number of air-conditioned pullman sleeping cars are now in service between Montreal, Toronto, Windsor, Detroit and Chicago, Mr. Johnston said to-day, and it is expected that the International Limited, and other Canadian National trains on this route will be air-conditioned by June 1st, before the hot summer weather starts. Air-conditioned cars are also in use on several of the other international trains of the company.

I doubt whether there is any class of men —at any rate there are very few classes— who make more use of the sleeping cars on the Canadian National Railways than do the members of this house, and I doubt whether there is any class that likes to sleep in comfort more than do we. But I venture to say that if hon. members could see the conditions which prevail where that sand blasting process is in operation they would say with emphasis that no more money should be spent on luxuries such as air conditioning on pullman cars until that situation is corrected.

I trust—and I should like to put myself on record in this regard—that although the initial act of the government has been to multiply by two and a half the expenses of the board of management of this railway, a real policy of economy will be instituted. It is not pleasant work economizing; it is not popular work, but it is very necessary work. I heard to my amazement on Friday last a statement made in this chamber by a supporter of the government to the effect that the late Sir Henry Thornton was one of the greatest national assets that Canada ever had.

An hon. MEMBER: Hear, hear.

Mr. BETTS: I hear that statement applauded. I do not wish to make any personal attack on a man who is gone, but I will say this—and I shall continue to say it whenever I rise to my feet to discuss railway matters—that if the railways are so deep in the red as to raise a doubt in the mind of every thinking man and woman as to whether they will ever get out; if the taxpayers are groaning under a burden which is doubling them up as a result of extravagant railway expenditures, it is because for the eight years during which the present Prime Minister (Mr. Mackenzie King) and many of those who sit with him on the treasury benches were in office, they spent money on the railways, during the regime of the late Sir Henry Thornton, on a scale which has never been equalled in any civilized country in the world.

Mr. CHURCH: He was the greatest asset the Canadian Pacific ever had.

Mr. BETTS: I express the hope, therefore, that we shall see a real regime of economy now, and that when the board of directors is being appointed there will not be imported into it any free-spending American friends of the government.

Mr. W. A. WALSH (Mount Royal): Mr. Speaker, it was not my intention to precipitate myself into this debate at this late hour. I had assumed there might be, from the other side, a defence of the bill introduced by the Minister of Railways (Mr. Howe), apart from the belated attempt made earlier in the evening with such disastrous effects. The railway problem, as has already been pointed out, is of national importance. The solution that has been suggested by the Minister of Railways in the measure which he introduced this afternoon hardly meets a situation of such gigantic importance. A few years ago there was appointed at the behest of the government then in power a select commission to study the railway problem of Canada and to bring in a series of recommendations on which the government of the day could formulate a policy and proceed to action. I think every member of this house will agree with me when I suggest that the members of that commission were able men who understood their duty and discharged it as commissioners on that occasion. They brought before the government, and ultimately before this house, a report which is worthy of every consideration by every hon. member, and one which should be given very careful study by any hon. gentleman who is at all interested in a solution of this national problem. I do not think there is a member of this house who does not recognize the magnitude of the problem we are facing. I have before me many articles from which I could quote figures to show the tremendous debt that is being piled up by the Canadian National Railways. The measure that was introduced this afternoon contains in my estimation nothing that will in any way stem the tide towards a greater deficit.

The recommendations brought forward by the present government do not in any way fit in with the recommendations of the commission that was appointed and brought in its report, 1931-32. I cannot see why any government should appoint a commission of able men who go throughout the length and breadth of this country accumulating information, hearing witnesses, getting expert testimony, and filing a report, and then, having received this report, should put it into the archives merely for reference of future generations of Canadian citizens who may be interested in developing material for debate on some railway problem that may exist only in their own minds. The compilation of this report must have cost the country a tremendous sum of money. It is printed, and no doubt has been in the hands of members since 1932. Yet we find that the present government, having such a report before them, having facts and figures compiled since that report was issued, despite all this wealth of information and experience, come down today with a measure which merely reestablished conditions as they were prior to the inauguration of this special commission to inquire into this national problem.

The government that has just gone out of office did their duty as they saw it. They acted on the report of this commission. I am not going to say that those who were appointed and have acted as the three trustees for the Canadian National Railways during the past four years are the best men who could have been secured for their particular positions. No doubt they are men who have faults. But there is no doubt in my mind that the government of the day thoroughly canvassed the situation and did their utmost to secure the best men available at that time.

The only criticism I have to offer of the government of the day in appointing such a trusteeship is that, in my estimation, it was appointed according to a wrong practice. To appoint trustees for a period of years does not commend itself to me, because when there is a change of government, or if those who are appointed are not acceptable even to the government that appoints them, there they

are, saddled with positions and salaries for a stated length of time, and any government which tries to make those men give up those salaries and appointments has its work cut out; the task is almost if not altogether an impossibility. If any mistake was made by the past government in carrying out the recommendations of the report of the commission, it was that of appointing the trustees for a definite period of time instead of during pleasure.

I read a few days ago a speech delivered in this house by the right hon. the Prime Minister (Mr. Mackenzie King) in which he commented rather vigorously upon such appointments, characterizing them as a restoration of the feudal system as it existed in Europe in days gone by. I quite agree with him in that respect, and I was going to criticize a similar proposal of the minister in another bill he brought in; in fact I handed him an amendment that I was prepared to move, if I had been in the house, in connection with the harbours board, which is to be appointed for a period of years. I do not believe in that kind of appointment, and I believe that in that respect the government of former years made a mistake in connection with the appointment of these trustees. I believe that if they had been appointed during pleasure we should not now have before us a bill asking for a directorate of seven members. I assume that the government would have taken advantage of the existing legislation and changed the personnel slightly in order to harmonize it with their own line of policy, rather than maintain the present personnel intact. Apparently they are not giving satisfaction either to the government or to the people of this country. In making that statement I do not wish to be misconstrued. I am not criticizing any one individual. But possibly at the present time there are certain members on the board of trustees who can be replaced to advantage, who have not worked in the spirit of the recommendations of this report, a spirit that suggests cooperation between these two great national railways, the Canadian Pacific and the Canadian National. If such a person is on the board and is not giving effect to that suggestion of cooperation, he has, I think, been negligent in his duty, and for that reason that person should be removed from that important office. I am not passing judgment; I merely make the suggestion as a possible reason why the government must introduce legislation such as we have under discussion.

It seems to me that the minister must agree that the measure he has introduced is a retrograde step. I do not believe that to appoint a directorate of seven members will assist in any way in solving the railway problem of Canada. I have not heard him say or any member from the government side suggest exactly in what way this new directorate is going to bring order out of chaos, to stop the piling up of deficits, to do anything that will affect to the advantage of the Canadian people the conditions which exist at the present time in connection with our railways. I wish to read from the report before me the items which suggest the principal contributory causes of Canada's railway situation. Those causes are summed up in seven statements. I desire to read them and to ask the Minister of Railways in what respect his solution meets those suggestions. Is any one of the conditions outlined under those items likely to be eliminated as a result of the measure introduced by the minister? I leave it to the judgment of the house; personally I do not think so.

The principal contributory causes are:

1. The overdevelopment of railways beyond the immediate needs of the country.

Is the appointment of seven directors to the Canadian National railway system going to eliminate that fault?

2. Aggressive and uncontrolled competition between two nation-wide railway enterprises, and competition the more disastrous in that one of the competitors was publicly-owned and supported by the full resources of the dominion.

Is the minister's measure going to overcome in any degree that unfortunate condition?

3. The reactions of the world trade repression which began in 1929 and has progressively increased in its severity with each succeeding year.

The seven members of the board of directors will not improve that condition

4. Competition from other forms of transport, notably road transport.

In order to bring the report down to date we might also include air transport.

5. Inelasticity of freight rates and railway practice generally which prevents prompt action in the meeting of falling revenues and dealing effectively with competition from other forms of transport.

6. Contractual arrangements with labour organizations which set up a rigid wage scale and inflexible labour practices generally.

7. The special disabilities of the Canadian National railways due to:—

(a) assumption, through government action, of liabilities of insolvent railway systems for reasons of national credit.

(b) large capital expenditures for improvement of the physical condition of the absorbed systems.

(c) political and community pressure on the management arising out of direct government control.

None of those seven contributory causes is going to be satisfactorily handled by the measure which has been introduced; in fact I fear that at least one of the causes suggested here is going to be severely aggravated by appointments such as these. I fear that the Minister of Railways (Mr. Howe) has erred. He is bringing the Canadian National system back to the realm of political control. I know he has not that in mind; I think possibly that is the thought furthest from his mind. I am sure it is his hope and desire to administer the railways as he would administer a business of his own. Because of his lack of political experience, with which lack I can associate myself, no doubt that is his outlook, as it would be mine under similar conditions. But I want to assure the minister of this fact, that he is surrounded by a large number of men who are looking to the Canadian National Railways as a source of political influence. Through the Minister of Railways, who is to become the minister of transportation, and these seven directors who are to be appointed, these men hope to gain that political ascendancy that will help re-elect them from election to election and maintain the present government in power. I know the minister has not that in mind; I know he feels that I am exaggerating a possible condition, but I want to assure him that after having studied the measure he has introduced I can see on the horizon no other possibility than political control of our national railways, and the result is going to be worse chaos than we have at the present time. If the minister hopes and expects that the injection of a bit of business experience into the management of the Canadian National system will carry him through to a successful administration of these lines, I am afraid that he is labouring under a misapprehension; that within a reasonable length of time he will find that the criticism from this side of the house was well justified, and that he should have acted more in conformity with the recommendations contained in the Duff report than is the case with this bill.

This report urges cooperation. That cooperation has not so far been forthcoming. It also urges the elimination of competition, but competition has not been eliminated. It is a disgrace to this country to have two railway systems piling up deficits, unable to meet their current expenses and at the same time carrying on competition to the death, at the ultimate expense of the Canadian people. Many solutions have been suggested for our railway problem, but there is one point I want to make absolutely clear; other hon. members have emphasized this feeling and I want to stress it on my own behalf as well as on behalf of hon. members on this side of the house. There is absolutely no thought in my mind of the amalgamation of our two great national systems. Of course I feel, as many other hon. members do, that we have in this dominion many, many miles of railway that we actually do not need. We are overdeveloped in that respect. The twentieth century was to be Canada's, and we built for Canada's century. But Canada's century, through no fault of our own, was stunted in its growth, and as a result we find ourselves with railway facilities adequate to meet the requirements of forty to fifty million people while we have a population of only eleven million to meet the cost. It is no wonder that we are piling up deficits, and I want to say to the minister that I do not think this bill is going to help in any way to solve this great problem now on our hands.

The government have suggested increased export and import trade as one means of overcoming this problem. That will help to a certain extent, but there is not enough import and export trade carried on by eleven million people to support the mileage that we have built and are operating at the present time. The only solution is to break down this competition by means of which the railways are gradually exterminating each other. Some of the great railway men of Canada have suggested solutions. I have emphasized the fact that I am unalterably opposed to amalgamation, and I think I speak for every member of the official opposition. I do not think there is anything on record to suggest that the Conservative party at any time stood for the amalgamation of these two great systems.

May I say, Mr. Speaker, that knowing the Minister of Railways as I do, knowing his past experience in the business world and his immense capabilities as an executive, I expected that he would introduce into this assembly not a measure such as we have before us but a measure that would give leadership in the solution of this railway problem. I expected him to introduce a measure that would be commented upon for its boldness, but instead we have merely a return to the situation as it existed previously, a situation that was condemned not only by the Duff commission but by others interested in the solution of this great problem. I think what I hoped for was expected also by the people of this country, knowing the railway problem as they do. It has been suggested by some that the people of this country do not understand the railway problem, but that is not so; they do understand it. They are beginning to realize the seriousness of

that problem, and I believe the Canadian people are ready for bold leadership looking to its solution. We are not going to return to prosperity unless we find a solution to this problem. We cannot continue to pile up debts at this rate, $85,000,000 in a single year. We cannot continue to have these millions of debt mounting up and survive. The government should give the leadership. The people of Canada did not expect such a measure to be introduced by this government. The Liberal party got the confidence of the people at the election last October; they were given the powers of government, the power to regulate and to legislate, but they have not used those powers to advantage. The Canadian people are disappointed; they were looking for courageous leadership and instead they are handed a dry bone, one sucked dry many years ago.

I expected the Minister of Railways to suggest to the house and to the country some great measure that would lead to the amelioration of the distress which we suffer in connection with our railways. I expected him to analyze carefully the recommendations made by our great railway men. I expected him to make some reference at least to the solution suggested by one of his colleagues, the Minister of Trade and Commerce (Mr. Euler), but I heard no reference to that solution. To my mind the Minister of Trade and Commerce offered a reasonable solution, one that would at least lead somewhere, not back to where we were in 1930. I think it was the Minister of Trade and Commerce who suggested the possibility of unification of these two great railways. Do not confuse unification with amalgamation; no one in his proper senses is suggesting amalgamation, but unification has its merits, and I expected that the Minister of Railways would at least discuss that phase of the subject so that the country at large and this house in particular would understand the government's position in regard to that possible solution. The people of this country are disappointed; they wanted to know what the government proposed to do and how they were going to solve this railway problem. If unification would solve it, why do the government not take the lead in that respect, particularly when they have at least one member in the cabinet who is definitely committed to such a solution?

Mr. YOUNG: Would the hon. member be good enough to explain the difference between unification and amalgamation?

Mr. WALSH: Yes, it is very simple. The hon. member could have asked that question of the Minister of Labour (Mr. Rogers) who was professor of economics at Queens; he could have given a more satisfactory answer than I. Amalgamation means the disappearance of both into a new unit; unification means the continuance of both units under one management until such time as this country grows and develops so that it can support the two separate railways. No great reasoning power is required to see through a plan of that kind. Of course there are difficulties in the way; I grant that. Any solution of any great problem has difficulties. I could name scores of difficulties in the way of unification of these railway systems, but I emphasize the seriousness of this railway problem; this country cannot continue to pile up deficits of $85,000,000 a year and survive. We have to find a solution, and that solution has to be found by the members of this government. They cannot allow this country to drift and drift into despair. Some people will suggest that unification of these railways would mean the possible elimination of a large number of men from their positions. If I thought for one moment that one man would lose his job on either railway through a process of unification I would be absolutely opposed to it. But I believe that a scheme can be worked out whereby under unification not one man would lose his job, whereby every man now employed with the Canadian National or the Canadian Pacific would be retained in his position. It is on that account that I advocate a careful and close study on the part of the government of that suggested solution.

I could advance many statements in support of that idea, but as I do not want to take up the time of the house in doing so, I shall resist that temptation. I think I have made my position quite clear. The Minister of Railways has introduced a measure which is a reactionary and retrograde step. He would reestablish the board of directors in place of the board of trustees; that is running contrary to the recommendations of the Duff report. He is introducing again into the administration of the national railways the possibility, yes, the probability, of political patronage, and if there is anything that will continue to make our railway deficits higher and higher it is the meddling of politicians in appointments and in the way in which the railway is run.

Before this measure finally goes through I ask the minister to see if he cannot develop something that will give this house and this country more courageous leadership than we find in the measure at present before us. I know exactly his criticism of the present

personnel of the trustee boards; I know he has objections to certain individuals on it. But this is no solution for the trouble; he is only preparing for himself two and one-third times the trouble that he is probably experiencing at the present time. This is not a solution that the people of Canada expected from this government or from the present minister; it is a proposal that is most unacceptable to anyone who has made a careful and minute study of our railway problem. It is a stupendous problem. We should divorce politics from railways entirely, look at it as a national problem, get together and find a solution. I do not see any reason why the government cannot invite the assistance of people on this side of the house to assist in solving the problem. The more I study it the more I realize its gigantic importance. Unless we can find a solution it is going to carry us down, so I hope the minister will realize the possibility that is before him at the present time to be hailed as a great liberator, not as the man who merely introduced a slight change in the management of our national railways in order to get rid of certain persons on the board of trustees. The people of Canada will be grateful to the minister if he can at least blaze a new trail that will lead us out of our present chaotic condition in connection with our railway and transportation system.

Hon. C. D. HOWE (Minister of Railways and Canals): Mr. Speaker, I want to thank hon. members in all parts of the house for the very fair discussion which this measure has received. I think everyone here is impressed by the gravity of the situation with which we are dealing. I can assure hon. members that there is nothing with which I have ever had to do that has impressed me as being a more difficult and more serious problem than the one now before us. If anyone has the thought that the measure we have now before the house is the first step towards a program of extravagance, I ask him to dismiss it from his mind because that surely is not going to be the outcome.

Hon. members have expressed surprise that in bringing down this bill I have not offered a solution of the Canadian National Railway problem. Surely that is a little too much to expect from any man who is a layman, and in addition facing this problem at first hand and for the first time. There is no royal road, as I see it, to the solution of the Canadian National Railway problem. The trustee act was founded upon confidence in cooperation. Cooperation has been tested now for over two years, and it has not produced the results which were expected from it. I am sure that everyone in this house regrets very much that more progress has not been made. But let us face the situation fairly. We have had the trustee system for the years 1934, 1935 and a small portion of 1936. In 1934 the cash requirements from the dominion government to keep the railway in operation, that is for deficits and capital expenditures—I make very little distinction between the two—was $56,000,000. In 1935, in spite of an increase of $8,000,000 of gross revenue, the requirements were $55,000,000. The budget first submitted for 1936 called for a further appropriation of $55,000,000 for this purpose. I am told that I set a precedent when I called the trustees to Ottawa and told them that as Minister of Railways I must ask them to take a more optimistic view of the year 1936. We discussed the matter at some length, and as a result the requirements were cut down slightly below $50,000,000. Viewing the situation, it seems to me that 1935 was surely a good deal better than 1934 from every aspect, traffic as well as others, and surely 1936 will be a better year than 1935. Are we prepared to accept the view that the Canadian National Railway must draw in cash from the government of Canada some $50,000,000 or $55,000,000 every year? I think not. I think we must at least attack the problem in a different way.

The trusteeship, as hon. gentlemen know, was described as a bankruptcy situation. Well, the bankruptcy situation does not seem to be a solution, and in that respect it is not much different from most bankruptcy situations. What happens in a bankruptcy situation is that a concern demonstrates that it cannot pay its way and is dissolved, or it demonstrates that it can pay its way and it is reorganized and is allowed to go back into normal business procedure. What we are doing by this bill—and I believe it is a very important step—is bringing the road back out of bankruptcy and into business vitality. In doing so we are going to establish the ordinary business set-up of successful concerns in this country and elsewhere. We are going to restore management by experts in the railway business, with experience and qualifications that, we believe, will give the road expert technical direction. We are going to surround that expert direction with a board of directors which in business experience and in national respect, we believe will be the equal of the board of any other corporation in this country. In other words we are going to give the Canadian National Railways a chance as a business to go out and build. I say that we are going to give it a chance. We are going to give it the same chance that any business firm in Canada has.

The leader of the opposition (Mr. Bennett) said that we can solve this problem by tearing up four or five thousand miles of track.

Mr. BENNETT: I said that is what the commission said.

Mr. HOWE: Yes, pardon me. I was speaking merely for the purpose of reference. But if that is the solution, it must involve tearing up not only the track but also the mortgage that built the track. I think the saving is lacking if only the rails come up without the mortgage that built them. I agree fully that if there are any further savings to be made in the way of economies that are practical—and after all tearing up four or five thousand miles of track is not practical—these savings should be made. I believe that the direction in which to look for the solution of the Canadian National Railway problem is on the constructive side, the building up of traffic and the pumping of vitality into the railway. That is the purpose of this legislation.

It has been said that the purpose of this legislation is to dismiss the present personnel of the board. That is not true. It is true that I do not think the personnel directing the road to-day has the proper business experience which was intended by the Duff report. However I may say that I tried to avoid the very thing I am facing to-day, this discussion of personnel. I saw each of the trustees soon after I came into office and explained to them the position as I see it to-day. I suggested that this unpleasantness could be avoided if they cared to resign. I have great respect for Judge Fullerton, who is a westerner like myself; at least we have often worked together in the same field. Mr. Morrow is a former client of mine, and in justice to him I must say that when I put the situation to him he was quite willing to resign. However I saw no purpose in accepting one resignation unless all were prepared to do the same thing. The change in set-up would have gone on just the same, but this personal reference I have had to make would have been avoided.

Motion (Mr. Howe) agreed to, on division, and bill read the second time.

Mr. HOWE moved that the house go into committee on the bill.

Mr. BENNETT: I object to going into committee now. I want to make some observations on the motion for going into committee. In view of what was said this afternoon I do not think the bill should go into committee unless the chairman of the board is afforded an opportunity to present his position before the special committee. Further, this bill refers to the Minister of Transport, and as there is no Minister of Transport the bill would prematurely be in committee.

Motion stands.

## ADJOURNMENT—BUSINESS OF THE HOUSE

Mr. BENNETT: What will be the business to-morrow?

Mr. CRERAR: Special supplementary estimates, the committee stage of the bill we have been considering, and if we finish with that, the ordinary estimates of Immigration and Defence, though possibly not in the order named.

Mr. BENNETT: If this bill could not properly go into committee in view of the fact that it refers to a Minister of Transport and there is none, then do I understand that the estimates will be proceeded with?

Mr. CRERAR: That clause of the bill might be dealt with in the same way as a similar clause in the harbours board bill.

Mr. BENNETT: This is to some extent different from that.

Mr. CRERAR: Not in respect to the point my right hon. friend raises.

Mr. BENNETT: But there is a special committee outstanding.

Mr. CRERAR: I think we shall probably proceed with the committee stage of this bill —I do not know the wish of the Prime Minister; we might consider the matter to-morrow—leaving the sections that refer to the Minister of Transport standing for the time being.

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

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# Tuesday, April 28, 1936

The house met at three o'clock.

## NATIONAL HARBOURS BOARD

### OPINION OF JUSTICE DEPARTMENT AS TO PROVISION THAT BOARD SHALL BE BODY CORPORATE AND AGENT OF HIS MAJESTY

On the order for motions:

Hon. C. D. HOWE (Minister of Railways and Canals): Mr. Speaker, during the debate on the national harbours board bill I was

asked by the hon. member for St. Lawrence-St. George (Mr. Cahan) to lay on the table the opinion of the Department of Justice with reference to subsection 2 of section 3 of the bill. I now lay on the table a report signed by Mr. W. Stuart Edwards, Deputy Minister of Justice.

## BUSINESS OF THE HOUSE

### ANNOUNCEMENT AS TO PRESENTATION OF BUDGET ON FRIDAY, MAY 1

On the orders of the day:

Hon. CHARLES A. DUNNING (Minister of Finance): In reply to the question asked yesterday by the right hon. leader of the opposition (Mr. Bennett), I hope to be able to present the budget on Friday of this week.

## BEAUHARNOIS POWER CORPORATION

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I should like to ask the Prime Minister (Mr. Mackenzie King) if his attention has been drawn to a circular letter signed by J. S. Norris, president of the Beauharnois corporation, and dated at Montreal, March 20, 1936, in which appears this statement:

> The project became the subject of entirely unwarranted and purely political attacks in the federal parliament of Canada early in 1931.

In view of the verdict of parliament given at that time, what steps will the government take to see that parliament is protected from unwarranted statements and attacks of this description which will mislead the bondholders who are meeting to consider the matter?

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, the House of Commons is master of its own house. I prefer to leave it to the House of Commons to say what shall be done.

Right Hon. R. B. BENNETT (Leader of the Opposition): I wonder if the hon. gentleman (Mr. Coldwell) would let me see that circular? If I understood him aright I think the matter is more serious than one which could be left merely to the House of Commons. This statement challenges this house in a very peculiar way. I quote from the letter as follows:

> The project became the subject of entirely unwarranted and purely political attacks in the federal parliament of Canada early in 1931.

The effects of these political attacks upon the enterprise were extremely serious and far-reaching. They resulted:

In the cancellation of the approval previously obtained under the Navigable Waters Protection Act;

In the reestablishment by special act of the federal parliament of a basis of federal approval subject to new and undisclosed conditions;

In Beauharnois Light, Heat and Power Company being forced to convey to the crown over 9,000 arpents of land (representing a cash outlay of over $1,800,000) upon which works had already been constructed by the company costing upwards of $15,000,000. The company received no compensation whatever for these works other than an easement to use the property, so conveyed, for power purposes;

In the federal government being forced to assist in the temporary financing of the enterprise by guaranteeing, against ultimate loss, bank advances aggregating nearly $16,000,000 made to prevent the collapse of the enterprise;

And finally, in the reorganization of Beauharnois Power Corporation Limited and Beauharnois Light, Heat and Power Company, in June, 1933.

I have not had any previous conversation with the hon. gentleman who has brought this matter to the attention of the house, but on listening to him it struck me that this is a serious reflection upon the privileges of parliament. I think perhaps this house has been rather careless in the assertion of its privileges, though in one or two instances it has done so. As soon as the hon. gentleman began to speak I sent for Sir Austen Chamberlain's book, Down the Years, and I would direct the attention of the house to this one reminiscence as given, beginning at page 70, because Sir Austen Chamberlain refers to a matter of this kind with a good deal of care:

> Parliament was dissolved only four months later and my first House of Commons has left only one abiding impression on my mind. It is of the greatness of Mr. Speaker Peel. The house has had many great Speakers, but I doubt whether in its long history it has ever had a greater than Arthur Wellesley Peel. Others have served it faithfully and many of them with great distinction, but Speaker Peel dominated it. In the opinion not only of one like myself who was still a young member when he retired, but of older men who had been present at his first election, he stood in a class by himself, over-topping his predecessors, never equalled even by the most successful and respected of his successors. He had a natural dignity and a formal but genuine courtesy which well became the occupant of the chair, and, besides, a dramatic gift which in great moments raised him far above his fellow members that the whole house trembled at his rebuke. At such times his stature seemed to grow before our eyes, his deep resonant voice dominated the tumult and he appeared as the living embodiment of centuries of parliamentary tradition.
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> One such moment occurred in the closing days of the parliament of 1892. A select committee of the house had been inquiring into

the hours of work of railway servants, and among the witnesses who had given evidence before it was the stationmaster of some small station on the Cambrian railway. He had subsequently been called before three of the directors and the general manager of the company and dismissed, nominally for some irregularities in his accounts but really, as was obvious from the questions put to him by the directors, on account of the evidence which he had given before the select committee. The committee, of which Sir Michael Hicks Beach was chairman, took evidence as to what had passed and made a special report to the house on the case as a breach of privilege. Of the three directors involved one, Sir John Maclure, was an old and much-liked member of the house. A day was fixed for the discussion and an order was made by the house that the honourable member for Stratford should attend in his place and that his co-directors and the general manager should appear at the bar. They were asked if they had anything to say and Sir John Maclure offered an apology with which the others associated themselves. They were then ordered to withdraw while their case was considered, and Hicks Beach moved: "That this house while recognizing that they had expressed their unqualified regret for having unintentionally infringed any of its rules and privileges is of opinion that they have committed a breach of privilege ... and that they be called in and admonished by Mr. Speaker."

This seemed a rather lame conclusion and there was a good deal of sympathy with the proposal made by T. P. O'Connor to add that the house would not consider that they had purged their contempt till they had reinstated the discharged man. Efforts were made privately to get them to do this, or at least to compensate him, but they remained obdurate. Hicks Beach's resolution was supported by Mr. Gladstone, but his advice was rejected by the great majority of his followers whose zeal for the injured man was perhaps stimulated by the value of the railway vote at the general election which was known to be imminent. A long, wrangling discussion followed and it was not till midnight that a division was taken and Hicks Beach's resolution carried.

Then the directors were once more called in. Sir John Maclure evidently felt his position acutely, but the other three appeared at the bar defiantly and almost jauntily. They had successfully resisted the desire of many members, not confined to one side of the house, that they should compensate the man, and now they were to have what schoolboys call a "pi-jaw" from the Speaker—that was all the House of Commons could do to them.

Mr. Speaker Peel spoke for less than ten minutes. "I would have you to know—each and all of you gentlemen—that though the privileges of this house are not be put into operation on any light or trivial occasion ... yet a privilege of this house is no unreal, shadowy or unsubstantial thing; it is what the house clings to and what it is determined to maintain." And then after expatiating on the enormity of their particular offence, he declared "The house in its judgment and, I should add, in its mercy has decided that I should admonish you," and he proceeded to administer the admonition.

The bald words of what he said, recorded in Hansard, convey no idea of the devastating effect of that short allocution. The men who had come to the bar so defiantly a few minutes earlier wilted under his admonition; beads of perspiration stood out on their foreheads and, when he dismissed them, they crept away like whipped hounds, while the rest of us shook ourselves like dogs coming out of the water and thanked heaven we had not been in the position of poor Maclure.

I do say that the statement sent broadcast to the shareholders of this enterprise over the signature of Mr. J. S. Norris, president, is a distinct breach of the privileges of this house; and thus to reflect upon the action that was taken not only by the committee but by the House of Commons itself, ultimately by unanimous action, is something that should not be tolerated or permitted. Moreover, one at least of the statements is not correct, I refer to the paragraph indicating that all they had received was an easement to use the property, so conveyed, for power purposes. That is entirely beside the question and is not in any sense an adequate expression of what was received in compensation for the title being vested in the crown, and I cannot but think that it is the duty of the government to take cognizance of this matter, for the maintenance of the traditions and the honour of the house is in the keeping primarily of the government of the day; and possibly a committee should be set up for the purpose of investigating the matter, so that if there is found to have been a violation of the privileges of this house appropriate action may be taken.

These things seem trifling and perhaps they are; they seem to be matters that should be treated as a joke, of little importance; and yet the maintenance of the privileges of this house is fundamental if we are to maintain the supremacy of parliament itself. Parliament cannot retain the respect and esteem of the people if it permits itself to be attacked in the way in which it has been and men feel that because they occupy the position of members of the House of Commons they must be subject to this sort of criticism and attack upon their actions. The parliament at Westminster, even in the most turbulent days, has been very careful to preserve untarnished its honour and undiminished the assertion of its rights, to maintain the privileges of parliament as such.

I think the hon. gentleman is to be thanked for bringing the matter to the attention of the house. I had seen reference to it in the newspapers but I had not seen this document in its entirety, although I had heard what the general contents of it were. I suggest it warrants careful consideration on the part

of the government and in particular of the Prime Minister. It might be that, inasmuch as there is little time now to consider it, in view of the record—and I think I have given the whole of the statement, as will appear in Hansard—the right hon. gentleman should take time to look into the matter and determine what should be the appropriate action in the circumstances with a view to maintaining the ancient privileges of parliament and its position in the country itself.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I must confess I have been at a loss to know just what we have been discussing. We are on the orders of the day, and the leader of the opposition (Mr. Bennett) having been for a long time in parliament and having for some years held the position of first minister, I did not think it proper to interrupt him or to call him to order. Certainly, however, I think he was decidedly out of order. If the subject under consideration is a question which affects the privileges of the house I suggest that in its consideration there ought at least to be an observance of the rules of the house on the part of all who are present.

First of all, speaking of the privileges and the rules of the house, may I say that it is customary, when an important question is going to be asked of the government on the orders of the day, for at least some intimation to be given in advance to the leader of the government or some member of it. The hon. member for Rosetown-Biggar (Mr. Coldwell) asked the question which he did without having given previous intimation to me or, as far as I can gather, to any of my colleagues, with respect to the matter to which he was referring. He brought a document into the house, made some reference to it and asked me what the government was going to do about it. I am not the government—I differ in that respect perhaps from some others—and I like to have at least an opportunity of conferring with my colleagues before answering a question addressed to the government as such. I would have told the hon. member very frankly that such was my position if I had not thought that the answer which I gave was all-sufficient. To my amazement, I next find the leader of the opposition taking possession of the document, reading the whole of it for the purpose, as he says, of placing its contents on Hansard, giving his views with reference to the same, and then reading from some authority in alleged support of what he is saying. I have not, like the leader of the opposition, come here armed with authorities purporting to support what I wish to say and of the point which I am making. I think, however, there should be very little difficulty for any hon. member of the house to know where ample authorities may be found for what I have already expressed, namely that if the privileges of this house have been violated in any way it is open to any member of the house to bring the matter up and it is for the house itself to take such action as it may deem necessary and advisable. The House of Commons is the custodian of its own privileges; the government is not the custodian of the privileges of the House of Commons. Every hon. member has the same right as the Prime Minister in a matter of privilege, and no one knows it better than the leader of the opposition.

May I say one thing further with regard to the question which has been asked. Is it to be assumed that a citizen of this country is not to have the right to criticize the action of a government? What is to become of freedom of expression in this country if every citizen is to be told that if he ventures to criticize anything which has been done by the parliament of Canada he is immediately to be brought to the bar of parliament to answer for it? That is not my view, at any rate, of the rights either of government or of citizenship.

I repeat that I had not seen the document to which reference has been made by the hon. member. It had not been brought to my attention. I knew nothing of its contents. He was careful, I suppose because it had some reference to Beauharnois, to seek to make a play with it, just as the leader of the opposition has sought to do.

Mr. BENNETT: That is unfair.

Mr. MACKENZIE KING: But such things are easily understood by anybody. As far as the question asked is concerned I return to what I said at the beginning, that if any privilege of this house has been violated, hon. members may take the matter into their own hands and deal with it as they see fit. So far as the government is concerned it is going to sustain the right of free expression of opinion by the citizens of Canada.

Mr. COLDWELL: Mr. Speaker, on a point of order—

Mr. BENNETT: Mr. Speaker—

Mr. MACKENZIE KING: There are two members opposite on their feet. I think, Mr. Speaker, that both are out of order.

Mr. BENNETT: Mr. Speaker, I am now rising to a question of privilege.

Mr. DUNNING: The other man had the floor first.

Mr. BENNETT: You may as well make up your minds that I am not going to be, in any sense, intimidated. Hon. members suggest that there shall be freedom outside the House of Commons, and deny it within.

Mr. MACKENZIE KING: Another hon. member was on his feet before the leader of the opposition rose.

Mr. BENNETT: The right hon. gentleman is raising another question. The rules of this house provide that a question of privilege must be taken into consideration immediately when raised, and it has been done ever since I have been in the House of Commons.

Mr. DUNNING: There was no question raised.

Mr. BENNETT: I was raising it as a question of privilege from the start.

Mr. MACKENZIE KING: The right hon. gentleman never so mentioned it.

Mr. BENNETT: This raises a question of veracity. Why did I send for Sir Austen Chamberlain's Down the Years but to point out to the hon. gentleman that he had referred to privilege, and I was dealing with the question of the privileges of this parliament. I happened the other night to be reading that book, and I remember that it dealt with the question of privilege, so I sent to my room for the book when the hon. gentleman raised the question that he did raise; the book was brought down to me in the presence of the members of this house and was handed to me and I read from it for the reason that I was raising a question of the privileges of parliament. When the right hon. gentleman suggests I was out of order in raising the question of privilege—

Mr. MACKENZIE KING: I say that my right hon. friend never mentioned to the house that he was raising a question of privilege at all. He undertook to carry on a discussion of a subject which the other speaker had begun.

Mr. BENNETT: I said it raised an issue of the first importance with regard to the privileges of this house, and I was raising the question of privilege; that is all.

Mr. COLDWELL: Rising to a point of order, I wish to say that an inference may be taken from the remarks of the right hon. Prime Minister that I have had some communication with the leader of the opposition regarding this matter. I just want to say that I have never discussed this matter or any other matter of that nature with the right hon. leader of the opposition or his colleagues.



Mr. MACKENZIE KING: May I say that I do not think my remarks are capable of that interpretation, but I am not surprised that my hon. friend supposed that some hon. members might well have thought so after listening to the leader of the opposition.

## SUPPLY

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

### DEPARTMENT OF AGRICULTURE

Projects already undertaken — Prairie Farm Rehabilitation Act—
Experimental projects and large scale demonstrations therefrom, $214,000.
Water development projects, $234,000.

Mr. MACKENZIE KING: Before we begin the discussion of this item, Mr. Chairman, I should like just to say to you how pleased hon. members of this house are to see you again in the chair, restored, we trust, to your former health and strength.

Mr. BENNETT: I should like on behalf of those with whom I am associated to join with the right hon. Prime Minister in what he has just said.

Hon. J. G. GARDINER (Minister of Agriculture): This item, which proposes to provide $448,000 for expenditure upon projects already undertaken, covers expenditures that were provided for last year in connection with the Prairie Farm Rehabilitation Act. These expenditures cover, under the first item, experimental projects and large scale demonstrations therefrom in the amount of $214,000. This amount has to do with experiments that are being carried on at experimental stations throughout the southern part of Saskatchewan, the southern part of Alberta and the southwestern part of Manitoba, and provision for the distribution of grass seeds and other methods of demonstrating the use of some of the products that have been developed through experimentation. It also has to do with the promotion of strip farming and everything of that nature tending toward the better use of lands in the area of the provinces where we have had drought during the last five or six years.

Mr. MacNICOL: I should like to ask the minister for a little further explanation of

his reference to the distribution of seeds. Does the government supply the seeds free? Are the seeds grown on government land or on the lands of experimental farms, or are they grown on private farms, taken over by the government, and then distributed?

Mr. GARDINER: The experiments are carried on upon a number of demonstration farms that were selected last year.

Mr. MacNICOL: Private farms?

Mr. GARDINER: Private farms, yes, the lands of which are rented under the same terms as ordinary demonstration farms, and rentals are paid for the use of these lands for demonstration purposes. Some of the grass seed, of course, will be used on those lands. Then there are associations composed of farmers who form themselves into an organization with a president, secretary and executive, who meet together from time to time and discuss ways and means of making use of grasses for different purposes. The government has purchased seed which it supplies through those associations to individual farmers to be used on plots of their own land in order to demonstrate the use of grasses in reestablishing these areas.

Mr. MacNICOL: Is the seed supplied free?

Mr. GARDINER: Yes, it is free.

Mr. STIRLING: The second part of this item has to do with water development projects. I find it very difficult to get any conception of what that implies. There is a very large area that has suffered from drought and on which the distribution of water would be of inestimable benefit. There are large irrigation projects around Medicine Hat, for instance, but they involve very large structures and a tremendous amount of digging of ditches for distribution. I wonder if the minister would give a short explanation of what is being attempted under this item. Is this only demonstration work which will assist the individual farmer to carry on similar work on his own land, or does it affect whole districts which will benefit by the water dammed up?

Mr. GARDINER: A number of different methods are being followed in order to assist in this way. If the hon. member will look further down the page I think the works to which he is referring come under item 308, but this vote covers largely what are known as small dams and dugouts. Some two or three thousand of these have been proposed by persons residing in that part of the country extending from Crystal City in Manitoba over a triangular area running right up to the foothills in Alberta. A number of those proposals were examined into by engineers last season; I think some six or seven hundred have been accepted as projects that should be carried through, and some two or three hundred others are under consideration at the moment. The money may be spent in two ways. Dams are placed across ravines in different parts of the territory, where it is feasible to do so, in order to provide a water supply, usually for three or more farmers. Sometimes it is done for a larger section of the community and in some instances it may be done on ranges operated for ranching purposes perhaps by individuals, but the work is spread over that whole area, some of which is wheat growing country, some mixed farming country and some purely ranching country. The dugouts are constructed largely throughout the wheat growing area, where it is impossible to have dams because of the nature of the country, and where it has not been possible to get water by the digging of wells. Dugouts are used particularly in the heavy soil country, assistance is given to the extent of three cents per yard for the earth that is moved, in connection with small dams. This money is to be spent to promote that sort of thing.

Mr. STIRLING: Then does the snow water fill these dugouts, and is that water ditched out extensively?

Mr. GARDINER: Under the plan that was set up last year engineers are sent out to advise the farmers whether they might obtain a water supply by digging a dugout. Of course that usually involves drainage from certain directions into the dugout. Sometimes there is the possibility of providing a run-off, but at other times it is just like a slough, where the water collects and serves for the season.

Mr. CHURCH: I should like to ask the minister on what principle this vote is brought before this committee. In the first place agriculture is under concurrent jurisdiction between the dominion and the provinces. In the other provinces of Canada this question of rehabilitation is very largely a provincial matter. Why do not the prairie provinces themselves come forward with a scheme such as has been proposed by the minister? On the other hand, if it is proposed to carry on this work this year, why was not this item included in the main estimates? In the second place, Mr. Chairman, why is there not equality of treatment as between the prairie provinces and the maritime provinces, as between the farmers of the west and the

farmers of central Canada? Who is going to pay for all this? The cost will have to come out of the pockets of the workers in the central provinces, who have provincial legislatures looking after the question of agriculture.

Since this government came into power I have seen most radical departures from the principles laid down by the British North America Act. There has been the five-year census for the prairies and other things of that kind, and now we have agriculture. I admit that the farmers of the prairies are suffering, but their situation is no worse than that of the farmers of Ontario. I could show the minister farms in Ontario just as badly off as the farms of the other provinces. Since I have been in this house we have had royal commissions appointed to ascertain the situation with regard to various provinces of confederation. We have had royal commissions on maritime rights, prairie rights and Pacific rights, and the time is coming when the farmers of Ontario and Quebec, and the industrial workers who cannot get a dollar with which to save their homes from foreclosure, who have to pay the cost of all this sort of thing, will demand an investigation or survey too. The time is coming when Ontario and Quebec will have to ascertain what is their place under confederation as expressed by the British North America Act. The two central provinces must pay the cost of all this sort of thing, since they contribute eighty per cent of the cash taxes that are raised, and they are not going to remain forever hewers of wood and drawers of water for the rest of confederation. The principle of confederation in which I believe is expressed by the old Cornish battle cry, each for all and all for each. This item has also reference to farm rehabilitation. The question of rehabilitation was referred to the other day in Bill No. 14 and again in Bill No. 19, and I thought that matter had been handed over to a commission. We are a long way behind the times in rehabilitation in Canada when we consider what has been done for the farmers in Denmark and the United States, but are we going to have this matter handled by the minister, and another branch of the work under Bill 19 handled by Mr. Purvis?

The CHAIRMAN: I would ask the hon. member to confine himself to the item under discussion.

Mr. CHURCH: I accept your ruling, Mr. Chairman, but with all due deference I would point out that I am speaking of item 307 about the word in this item, "rehabilitation,"

[Mr. Church.]

which also appeared in Bill No. 19 the other day, in reference not only to industrial workers but also to agriculture. If we are to have farm rehabilitation for one province let us have it for all provinces; let us have equality of treatment so that not only the prairie provinces but the other provinces as well will get votes of money in the supplementary estimates.

Then this item 307 goes on to refer to experimental projects and large scale demonstrations. Only the other day we handed out six or seven million dollars for large scale demonstrations and now under this item we are asked to vote a further sum of $448,000. I am going to ask the minister to extend these handouts to the province of Ontario too, since this question of agriculture comes under the concurrent jurisdiction of the provinces and the dominion. If there is to be rehabilitation by Mr. Hepburn's administration in Ontario, the prairie provinches should pay as Ontario does for rehabilitation as well, and the construction of power projects. Look at the hydro water power project in Ontario; it was built at the expense of the province, and the dominion government did not contribute a nickel towards the cost. I admit that these other provinces have rights too, but there are provinces whose rights are forgotten. I refer to the two central provinces. If the Ontario and Quebec members would assert their rights they would have a royal commission to find the place of the two central provinces in confederation, besides that of merely paying the debts.

Mr. GARDINER: All I would say in reply is that the caption which appears on the item, Prairie Farm Rehabilitation Act, pretty well indicates why the vote is here. That act was passed in 1935, the bill having been introduced by the then minister of agriculture. It provided for $750,000 last year, a million dollars this year and a million each year for the next three years following this; in other words it was a five year program. All that I have done as minister so far as this act and the amount of money provided by it is concerned is to cut it by a quarter of a million dollars. The provision made by the act is for a million dollars; I am providing only for the expenditure of $736,885.55 for these purposes in the first three votes under the heading of projects already undertaken, and under other projects in succeeding votes there is provided an amount of $559,556.69. These two amounts make a little more than one and a quarter million dollars. Two bills were passed last year, one providing a million dollars for

1936, and the other, I believe it was the Public Works Construction Act, which provided half a million for this and other purposes for the Department of Agriculture. Part of that half million dollars was spent last year; some of it still remains to be spent. I am asking the house to vote this year three quarters of a million under the Prairie Farm Rehabilitation Act, and to provide for the expenditure of the remainder under the Public Works Construction Act of last session in connection with agriculture in the drought area of western Canada. These expenditures are being made only in the section where we have had drought during the last five or six years. I make that explanation not for the purpose of shirking any responsibility in connection with the vote, but simply in order to draw the attention of the hon. member to the fact that the amount was provided for by legislation of last year, and we are simply carrying out the purpose of that act.

Mr. LEADER: In support of this proposed expenditure I believe the hon. member for Broadview (Mr. Church) is labouring under a misapprehension. This is not a general policy for all the prairie provinces; as the minister has stated it just takes care of that part which has suffered so much from drought. I am sure the hon. member for Broadview, had he gone through that district, as I have done, and seen the ravages of the last five or six years of dry weather, would be one of the first to come to their relief. The fact that the previous government, of which he was a supporter, undertook this relief first, goes to prove what I say.

In regard to the dugouts to which reference has been made, I live in a district where we have to have them, and I may say to the hon. member for Broadview, whom I regard as a very good friend, that we have not asked the governments, either provincial or dominion, to reimburse the farmers making these dugouts; they pay for it themselves. We are able to do that, but the people in the dried out areas are not, and unless we want to abandon them altogether we ought to be and I believe we are glad to offer any help we can to assist them through this period of stress.

Mr. BENNETT: I think the hon. gentleman was in error in making the statement about the million dollars. Section 8 of the act provides that:

> For the purposes of this act the sum of $750,000 shall be appropriated and paid ... during the fiscal year 1935-36 and for each fiscal year for a further period of four years a sum not exceeding one million dollars per annum as may be necessary to continue and extend the work undertaken under this act.

Do I understand that the first two items amounting to $448,000 are voted to discharge obligations already created?

Mr. GARDINER: Yes.

Mr. BENNETT: Then the $750,000 of last year was spent in its entirety?

Mr. GARDINER: No.

Mr. BENNETT: Because the question of the $448,000 being part of the $750,000 or in addition to the $750,000 becomes important.

Mr. GARDINER: The amount which is being provided this year in the estimates, of the million dollars which the act provides we might have spent this year, is only $750,000; and that amount, together with a sum unexpended under the provision for $1,000,000 out of the Public Works Construction Act of last year, makes a total under these estimates of $1,296,442.24.

Sir GEORGE PERLEY: How much was spent last year out of the $750,000?

Mr. GARDINER: I have not that information here at the moment. I could get it. It was about half of it.

Mr. PERLEY (Qu'Appelle): Could the minister give some information in respect to the $214,000 for experimental projects and large scale demonstrations? Does that include the establishment of demonstration farms?

Mr. GARDINER: Yes, it includes not only the establishment of demonstration farms in the area but investigational work in connection with strip farming over considerable parts of the area. In southern Alberta, for example, strip farming has been carried on with considerable success for quite a number of years. There has been very little strip farming in the southwestern part of Saskatchewan, although there has been some. Under this expenditure there has been encouragement of strip farming in the southwestern part of Saskatchewan and the extension of it in Alberta and the use of it in part of Manitoba. The money spent in connection with it is for the sending out of men from the experimental farms to promote the spread of such projects; the actual work of distributing seed in connection with the sowing of grasses and everything of that kind comes out of this particular part of the vote.

Mr. PERLEY (Qu'Appelle): It is not intended to purchase these farms, is it? They will be under lease?

Mr. GARDINER: No, there has been no purchasing of farms. The first project pre-

sented to the house or to the country, I am not sure which, had in view the taking over of a number of townships—I think the project was five townships, one in Manitoba, three in Saskatchewan and one in Alberta—and operating them as large demonstration farms. But in practice the minister of the day and the officials of the department did not find that to be feasible, and adopted the idea of encouraging the formation of agricultural associations that might take in two or three municipalities. These associations meet from time to time and discuss matters and encourage the use of these different methods on the farms within that area.

Mr. DONNELLY: When one of these farms is taken over for strip farming demonstration purposes, what agreement is made with the man who owns the property? How much is paid to him, or on what terms does he work?

Mr. GARDINER: It is on exactly the terms that I presented to the house. I am sorry Doctor Archibald has not yet arrived, but he will be here soon and I can get detailed information from him in regard to these matters. The arrangement is the same as is made in connection with demonstration farms that are carried on from one end of Canada to the other; the rentals and everything are exactly the same.

Mr. MacINNIS: I was going to ask the minister how much of the $750,000 had been spent, but that question has already been asked. Has the department prepared any report on the work that has been done under the vote of last year, which would indicate what progress has been made and what the results if any have been?

Mr. GARDINER: May I point out that the point raised by the hon. member for Broadview (Mr. Church), namely that under ordinary circumstances most of the work to be undertaken was considered to be provincial work, was fairly well recognized in western Canada. The provincial departments are usually provided with ways and means of carrying on in a limited way much of the work that was to be undertaken, particularly the provision of a water supply. But in the light of the experience they have had in the last five or six years, and the fact that very little in the way of revenue can be collected by muncipalities or by anybody else for the carrying on of the work, apparently it was thought wise to give some special assistance from the federal treasury, and the act to which I referred a few moments ago was passed. At Swift Current an organization was established to take care of the expenditure of the money. That organization consisted partly of engineering equipment and men to conduct surveys in different sections of the southern part of the three provinces, and to make records with regard to the possibility of providing water supply and everything else essential to a development of this kind. Work and demonstrations in connection with the larger experiments mentioned were carried on by the experimental farms, part from Swift Current, part from Indian Head and part from Brandon. That work was done in the different experimental farms throughout the section. Some of the expenditure having to do with these particular activities was used in paying officials who had been previously engaged in the work of these experimental farms, and some of it was used in paying for the services of individuals connected with the engineering organization.

Since taking over the department I have discussed the matter with the provincial governments and we have arrived at the conclusion that probably we would get better results with less expenditure on overhead by working in close cooperation with the provincial government, so that we are associating the engineering organization with the three different departments. The arrangements are fully made in the province of Saskatchewan, where about sixty per cent of the area is found. In Alberta, where a greater part of the remaining area is situated, arrangements are fairly well on their way to completion, and at this time arrangements are being considered in Manitoba, where the smaller part of the area is found.

The reason for the comparatively small expenditure last year is that the work was not begun until after the close of the last session, which was about the beginning of July. The engineering work in connection with all these projects had to be carried on after that. At the end of the season, other than getting records with regard to dugouts, the applications for which have gone into thousands, the number of small dams for which applications had been made and the number of larger projects which had been proposed, very little had been accomplished. As to these works to which we are now referring, only a few thousand dollars was paid out for actual works last year. All work which had been paid for in addition to that was preparatory to work which would be done this year and in the succeeding three years under the plan which had been laid down. The government considers it worth while to go on with these projects and to carry them

through to completion, in so far as individuals and communities which made application last year may desire, and in so far as engineering staffs have reported that such works may be feasible and would give satisfactory service. So that on actual works very little was spent last year; the greater part of expenditures were made preparatory to doing work this year and in the succeeding three years. The same observations apply with regard to other works which we will be discussing later.

Mr. MacINNIS: Is it the intention of the department to publish reports with regard to the work as it proceeds?

Mr. BENNETT: Section 9 of the act provides for an annual report being laid on the table of the house.

Mr. GARDINER: Yes, that provision is made.

Mr. DOUGLAS: With reference to the $448,000 to be spent in connection with the Prairie Farm Rehabilitation Act, how will this money be apportioned?

Mr. GARDINER: It will be apportioned according to the areas of the different provinces. Sixty per cent of the area is in Saskatchewan, and about 40 per cent in the other two provinces. Of that 40 per cent I think the division would be about 25 per cent and 15 per cent, or 30 per cent and 10 per cent, with the larger area in Alberta.

Mr. BENNETT: Mr. Chairman, I offer no apology for discussing this matter at some length. The communications I have received from the various parts of western Canada are numerous, especially those from the area in which they have had no moisture for a very considerable period of time.

It will be recalled that a year ago we passed a statute known as the Prairie Farm Rehabilitation Act, made an appropriation of three-quarters of a million dollars for last year, and authorized parliament to appropriate an amount not exceeding one million dollars in the succeeding four years. That statute provided for the setting up of a committee, and I judge from what the minister has said that no such committee is now functioning. I am not quite sure whether that is correct. Is a committee now functioning?

Mr. GARDINER: It has been functioning, yes.

Mr. BENNETT: And it still is?

Mr. GARDINER: Yes.

Mr. BENNETT: It will be remembered that the committee was a most representative one. It had a chairman who was to be appointed by governor in council. I do not know whether the present chairman is the one who held office before October 23.

Mr. GARDINER: No change has been made in the committee, and the last meeting was held last fall.

Mr. BENNETT: I thank the minister for that information. It will be recalled that the committee consisted of a chairman, representatives of the grain growers of Manitoba Saskatchewan and Alberta, the live stock farmers in Saskatchewan, the range farmers in Alberta, the mortgage companies of Canada, the Canadian Bankers' Association, the Canadian Pacific Railway, the Canadian National Railways, two representatives from the Dominion Department of Agriculture, and one representative from each of the governments of Manitoba, Saskatchewan and Alberta. The minister is quite right in saying that the meeting together of these representatives involved a considerable expenditure in overhead. Nevertheless if I am correctly informed they did meet and made certain plans which, as the minister has pointed out, contemplated the work being continued along certain lines during the succeeding year. That is, it would be continued during the year which is now upon us, or during the present spring and the succeeding summer and fall.

Engineers went over the matter rather carefully, and from what the minister has said I take it that the $448,000 is really a revote of part of the $750,000 which is unexpended, with a little more added to it. I should like to ascertain what has been spent, and what the commitments were with respect to the schemes. Perhaps the minister has before him information which will enable us to understand what the plans were. Consideration was given to the construction of dams, covered in the next item, with respect to which I take it the minister will give us the necessary information. But if I am correctly informed those living in the drought areas have been in touch with the committee and with their provincial governments. I was not quite able to ascertain to what extent the minister contemplated taking the matter out of the hands of the committee and placing it in the hands of the provincial governments, because in item 310 there is provision for payment of a substantial sum of money to the provinces. Like others who have been writing I desire to ascertain whether or not the sums mentioned in items 307 and 308 will be expended under the direct

supervision of the federal government, or are they too to be partly under the supervision of the provincial governments? I should like to know also whether the engineers engaged in this work prior to last year are to be continued in the work this year.

Mr. GARDINER: Replying to the last question, no new engineers have been put on. However, the engineering staff at the present time is not as large as it was last year. In connection with engineering work in general, the three men appointed on the committee, the committee having to do with water conservation, are the three engineers in charge of the work for the provincial governments. There is Mr. Charlesworth of Alberta, the provincial man in Saskatchewan and the provincial man in Manitoba. These men will still have an interest in the work, as they had previously on the committee, perhaps in an even more direct way. As I said a moment ago, we have approached the provincial governments to have them take a more lively and more direct interest in this work. Our reason for doing this is that many of these works are really provincial works. The only reason the provinces have not been carrying them on is the reason which is so prevalent throughout Canada to-day, the lack of funds. I assume that that is mainly why the dominion government came into the picture last year. The main reason for their undertaking to spend money in that area was the difficulty which had been faced during the last five or six years. We hope that at the end of the four year period, if it is necessary to continue the work for that long, these sections of western Canada will have overcome these difficulties and that the work will then be taken over and continued by the provincial governments. Believing that, we thought it wise at this period to encourage the taking over of the work. Therefore, we have asked that the same engineers, who were in charge last year from the office at Swift Current, be taken over by the different provincial departments. They will in turn be advised by the same three men who were on the committee appointed last year. Saskatchewan has consented to do this; I think Alberta has consented, although the matter may be still under consideration, and while there will be very little work carried on in Manitoba, I have their assurance that they will cooperate in that regard. As I said a few moments ago, our main reason is to cut down overhead expense and to encourage the taking on of this work by the provinces in such a way as to ensure its maintenance and continuation after the federal government drops out of the field.

[Mr. Bennett.]

If we were to proceed along the line that we followed last fall and up until about a month ago, I am afraid that we would build up a large staff in connection with the federal Department of Agriculture which we would either have to find places for elsewhere at the end of the three or four year period or ask the provinces to take them over in order to continue this work. If I were assured that these items could be placed in the ordinary estimates, as suggested by the hon. member for Broadview (Mr. Church), and carried on in that way, it might be a different proposition. However, I do not feel inclined to ask the house to adopt this as the permanent policy to be followed by Canada in connection with the areas now under consideration. I think it wise to direct the activities toward the taking over of this work by the provinces at the end of our activities in connection therewith.

So far as the control of the committee is concerned, I may say that we look upon the committee as being one composed of men competent to deal with questions of this kind. They have held two or three meetings, one of which was held just before this house met. They have presented their views in connection with the whole general policy and with the matter of water supply and rehabilitation. These views are now before the experimental farms branch of the department under Doctor Archibald and we are not sure that anything is to be gained by calling these men together in the future at some expense. If we can get along without calling them together, we will. It must be remembered that many of them are in the service either of the provincial governments or of the federal government or the railways, and we do not anticipate any difficulty in getting this committee together if it is found necessary to do so in the future for further discussion of this whole matter. I may say that so far no action has been taken to discontinue the committee.

Sir GEORGE PERLEY: This matter was discussed for some time last year before the bill was brought into the house by the predecessor of my hon. friend. I do not think he understands exactly why it was done in the way it was. The hon. member for Broadview (Mr. Church) has raised a question with regard to the provinces which is certainly worthy of careful consideration. As I remember it, this bill was brought in because the drought areas in the southern parts of the prairie provinces were considered as a national emergency. That is why this parliament voted money for that particular purpose. We voted money to the different

provinces to help them out of their difficulties during the five years the previous government was in office, but this arrangement was made in order that this work might be kept in the hands of the dominion government as a national emergency. If the matter had been considered from the point of view of the provincial authorities, there would have been no reason for parliament voting money for the prairie provinces any more than it would vote money for Ontario and Quebec, as suggested by the hon. member for Broadview. I think by the action he has taken the minister is departing from the intention of this act. I remember quite distinctly that this work was to be carried on under the dominion government as a national emergency. The money voted by parliament for this purpose was to be expended under federal authority, and I think the minister is departing from the intention of the act when he considers it advisable to hand it over to the provincial governments.

Mr. GARDINER: I probably did not make myself clear on that point. I am reminded by the remarks which have just been made of the fact that I did not really answer the question asked by the leader of the opposition (Mr. Bennett). The work is being carried on entirely under the supervision of the federal department. While the three men of whom I spoke have been asked to cooperate, the work is being supervised, before the expenditures are made and during the time the work is being done, by the Department of Agriculture at Ottawa.

Mr. BENNETT: There is a provision in the act which reads:

> The minister shall annually lay before parliament a report of all proceedings under this act for the preceding fiscal year.

I suppose the report for the year ended March 31 last has not yet been prepared. It is hardly to be expected that it would be prepared, but it may be ready before parliament prorogues.

Mr. GARDINER: It would not be possible to have a report yet because the claims are not all in.

Mr. FINN: Have the legislatures of the prairie provinces taken over the rivers and streams and vested them in the provinces, in contradistinction to the rights of riparian owners and the general rights of the public in connection therewith?

Mr. GARDINER: That is a rather moot question. It has never been decided exactly what the relationship of the provinces to the streams is since the taking over of the natural resources. The whole matter with regard to streams is under the same control in these provinces, or pretty much so, as elsewhere. Through that southern section of the three provinces, and more particularly in Saskatchewan and Manitoba, arrangements have to be entered into between this country and the United States with respect to the use made of streams for these purposes. That is all properly taken care of.

Mr. BENNETT: It is not quite correct to say that the rivers and streams in western Canada are in the same position as in other provinces.

Mr. GARDINER: Not exactly.

Mr. BENNETT: The Irrigation Act vested all waters in the crown in the right of the dominion, and whether they have been adequately transferred to the provinces has not yet been finally determined. In crown grants made by the crown in the right of the dominion there was a reservation to the crown of all waters, lakes, and areas covered by water, so that the property in the water is vested in the crown the same as precious minerals or metals, and the question of riparian owners is not one that arises at all.

Mr. FINN: What I have to say with respect to the answer given me by the Minister of Agriculture applies to the answer made by the leader of the opposition. He speaks of the crown, but the crown has a relationship to both the provinces and the dominion. In Nova Scotia, by the act of 1908, the legislature took over all rivers and streams, and this is within its rights. That is the very question that has been raised to-day in connection with Beauharnois. The premier of Quebec is reported to have said that so far as streams are concerned they are all within the province, and the leader of the opposition gave this opinion in this house at the last session in answer to a question asked by the hon. member for Winnipeg North Centre (Mr. Woodsworth). That hon. gentleman asked him whether or not Beauharnois should come under public ownership and the answer he gave was that the rivers and streams were in the province and therefore the only thing the government had to do with when he was prime minister was the issuing of licences for the export of power. The right hon. gentleman also volunteered the statement that while there could not be public ownership so far as rivers and streams were concerned, he regretted very much that Sir Herbert Holt, the president of the Royal Bank of Canada, was to-day in control of Beauharnois.

Sir GEORGE PERLEY: How much of this $750,000 was spent last year?

Mr. GARDINER: I cannot say exactly because the claims are not yet all in and the payments have not all been made, but the amount is approximately half a million.

Mr. BENNETT: And this $448,000 will complete payment for the projects undertaken last year?

Mr. GARDINER: This is continuous work; the projects are in 308, the next item.

Item agreed to.

Western conservation works—
Southern Alberta storage dam, Wild Horse, Alberta, $6,953.63.
Middle Creek reservoir, Govenlock, Saskatchewan, $11,368.69.
Dam construction at Adams lake, Govenlock, Saskatchewan, $7,500.
Construction of dams in the municipality of Edwards, Manitoba, $6,000.
Waskana reclamation project, municipality of Lajord, Saskatchewan, $7,300.
Val Marie irrigation project, Val Marie, Saskatchewan, $121,187.28.
Eastend irrigation project, Eastend, Saskatchewan, $63,080.
Payment to the Canada Land and Irrigation Company, Vauxhall, Alberta, $65,000.

Mr. BENNETT: In view of the great interest in this matter in the western provinces it would expedite business if the minister would explain each one of these projects and indicate what has been done, whether or not there are contracts outstanding and what these sums represent. I am particularly interested in the Canada land irrigation project and the one at Val Marie.

Mr. GARDINER: Very few of the projects started last year were completed. There were one or two in Manitoba, I believe, but I do not think there were any actually completed in Saskatchewan. Those in Saskatchewan are here on this list. The completed ones are largely in Manitoba, and there were very few of them.

Sir GEORGE PERLEY: These amounts are for completion.

Mr. GARDINER: They cover pretty well the actual cost in most cases. The southern Alberta storage dam, at Wild Horse, Alberta, is down in the southern part of the province in the ranching section and the purpose is to assist in supplying water for stock in that area. The Middle Creek reservoir at Govenlock, Saskatchewan, is a similar construction, just across the Alberta boundary line in the Cypress hills. The Adams lake dam is a similar construction in the ranching area. The construction of dams in the municipality of Edwards, Manitoba, is across the boundary line of the province of Saskatchewan and is intended to supply water to farmers in that vicinity. The Wascana reclamation project is southeast of the city of Regina, in the area where the waters divide as between those going north and those going south. There has been considerable difficulty there for quite a number of years in connection with drainage and the retaining of a water supply for farmers during a part of the year. The water supply presents difficulties at one time and drainage is a problem during another period. The work is in that connection. The Val Marie irrigation project goes down through the south of Swift Current near the United States boundary line; it is perhaps twelve miles or so from the boundary.

Mr. BENNETT: What river or stream does it affect?

Mr. GARDINER: The Frenchman.

Mr. MacNICOL: How many square miles would the Val Marie project cover?

Mr. GARDINER: The object of this project is to provide by irrigation for the production of a dependable supply of feed for the large surrounding ranching district supporting over 100,000 head of cattle alone. It is proposed to construct a dam across the Frenchman river and the reservoir would extend over some 1,200 acres of land and contain about 6,000 acre feet of water. This amount of water would be sufficient to irrigate 5,580 acres of land below the dam and possibly 600 acres which are partly flooded in the spring. The sum of $3,812.72 has already been spent on this project, and $83,730.78 committed in the form of contracts, with $37,456.50 estimated as the requirements to complete construction. This is the detailed information that has been compiled as a result of reports that have been received.

Mr. BENNETT: Was it a new reclamation under this scheme?

Mr. GARDINER: This is a new project. The next one, Eastend is an old project being resurrected. The Eastend project is somewhat similar to Val Marie, the only difference being that the former was at one time built and operated by an individual. It is now being enlarged upon and rebuilt. The object of both these, and more particularly the Val Marie one, is to have the lands that are irrigated divided up into plots of about forty acres. These plots will be taken as hay meadows by farmers and ranchers living in the surrounding area. Some of them contemplate driving their stock to these feeding lots during the winter months, and others intend to haul the feed from these locations

to wherever the stock is, depending upon the distance they are away. In this way it is hoped that some provision will be made for stock in an area to which, during the drought period, feed has had to be hauled.

Mr. PERLEY (Qu'Appelle): Could the minister give us a little more information with respect to the Wascana project, as to the amount of land that will be flooded and what arrangements are to be made with the owners of the lands that are affected?

Mr. GARDINER: I will read the note I have. The main purpose of this work is to reclaim lands which are now subject to periodical flooding by the spring floods. Five channels are being constructed and these will allow the flooded lands to be dyked and drained so that early cultural operations will be feasible. The sum of $7,500 has already been expended and the dominion government are committed to a further payment to the municipality of $7,300 to aid in completing the work. The payment that is being voted this year is to go largely to the municipality.

Mr. PERLEY (Qu'Appelle): I understand that the committee is considering a new project at Estevan. Could the minister give us some information with respect to that, the area to be covered, when the project is to be completed, and the estimated cost?

Mr. GARDINER: It is in the survey stage at the moment, but the project that is being surveyed is not at Estevan. A request was made last year for a dam across the ravine that extends northwest from Estevan, being a part of the Souris valley; and after the engineers went over the proposed project of last year they reported that they did not consider it feasible, largely because of the fact that the intention was to build a dam near the Canadian Pacific Railway bridge just west of Estevan and dam back the water for some twenty miles. The valley, as I know it, is about a mile to probably a mile and a half wide. The basin or floor of the valley is almost level. To build a dam at the bottom of it and flood it back for some miles would create a considerable area of water, but it is considered that, with the inflow that no doubt the valley would have, in all probability the evaporation over an area so large and flat as this would be so great that the project would not be a feasible one. So that the engineers have given consideration to an alternative project. It is one somewhat similar to the Eastend and Val Marie projects. They propose to put a dam at the end of a small lake somewhere between sixteen and twenty miles up the valley and raise the waters in this small lake, which will not necessitate the taking in of any considerable amount of new land round about. Then they have it in mind to put two smaller dams further down the valley with a view of retaining water in each of them. From there on down the project will be to a considerable extent an irrigation project, to produce a hay supply, in the same way that a hay supply is to be produced by means of the Val Marie project.

Mr. BENNETT: Is that the Souris river?

Mr. GARDINER: I am not certain whether it is the Souris river itself or a long run from it, but it is part of that valley.

Mr. PERLEY (Qu'Appelle): Has any estimate been made of the cost of that project?

Mr. GARDINER: The estimated cost, as far as investigations have gone, is about $50,000. It is a little less than half of the cost of the Val Marie project.

Mr. DONNELLY: Has the government under consideration any project either in the Pinto creek or Wood river or any district which is the centre of the dried out area in southern Saskatchewan?

Mr. GARDINER: In item 311, under proposed constructions, there is a proposal in connection with the Wood river at Coderre, which I think the hon. member for Wood Mountain (Mr. Donnelly) will know very well. Then, further south, it has been suggested that something should be undertaken at Willows, which is just west of Assiniboia. That is under consideration; no reports on it have been received from engineers. There is another project that has been proposed, near Wood Mountain; that too is in the same stage. There has been an application for it, and it is under consideration.

Mr. BENNETT: Would the minister give some explanation with respect to the Canada Land and Irrigation Company, Vauxhall? This company has an enormous investment in an enterprise which was originally a private project, an exploitation by those who were then exploiting western Canada; and the situation is acute, because no money has been returned to the shareholders, who are Englishmen, who bought the securities many years ago, about 1911 or 1912. Perhaps the minister will give us some explanation as to how that now stands, in view of the fact that it was a private enterprise; the federal government provided money for it, and the

province provided something. This item, I see, provides for an expenditure of $65,000; under what circumstances?

Mr. GARDINER: I will just read the note with regard to that. It covers what has taken place up to very recently. The Canada Land and Irrigation Company, at Vauxhall, Alberta, is operating in receivership. It is a company devoted to irrigating in all some thirty thousand acres of land in Alberta, but will have to cease operations unless financial aid is forthcoming both for repairs and to wipe out some of their indebtedness. The main canal of the project supplies water to a large number of ranchers and farmers representing an area of 300,000 acres of non-irrigated land and approximately 250 farms in the Vauxhall district representing 40,000 acres. The irrigable lands are entirely dependent on the continued operation of this project for stock and irrigation water.

Mr. BENNETT: Is that the water that comes from lake McGregor?

Mr. GARDINER: Yes, it comes through lake McGregor from a river farther north; it has about 110 miles of channel in order to bring it down there. Some of the $65,000 is required for replacement and maintenance of the existing system, and the balance, $20,000, for municipal taxes and repayments on a loan due for past repairs. If the company ceases operations it will leave the ranchers on 110 miles of canal and 250 irrigation farms without water. The works of this company represent an investment of approximately $15,000,000. The cost for the relief of some five hundred farmers thus affected, to say nothing of the cost of assisting to move them to other lands where irrigation water might be available, or to dry farming lands, would amount to very many times the $80,000 that is the estimated cost of this project.

That is the representation that has been made. The first request that was made last year on behalf of these people I think was for $150,000, including something like $30,000 to cover provincial taxes and charges and in the neighbourhood of $20,000 for municipal taxes. I understand that an order was prepared and brought in last year for the expenditure of the full amount, but that was reduced by the amount of the provincial taxes. Then another order in council was prepared which I think was under consideration at the time the government changed, which included the municipal taxes. When the present government gave consideration to the matter we did not consider it advisable to undertake payment of the municipal taxes. That amount was deleted, bringing the total to about $104,000. Then I had the manager of the company come to Ottawa and I went into the whole matter with him. I pointed out that there were some complaints from that area with regard to the overhead and the cost of managing the company, and that we noted that a considerable part of the money that was being requested was for the purpose of paying for that management. At first I insisted upon the whole cost of management being deleted, but after going into the matter more fully I came to the conclusion that there would be very little use in providing money to repair the work and thus assure the water supply of the farmers in the area that is being irrigated unless at the same time some provision was made for operating expenses, at least during a part of the season. So we estimated the cost of the works at somewhere in the neighbourhood of $60,000 and the cost of operation and repairs to local works at approximately $20,000, which would carry the works until the end of this season when we hope there will be a crop on which the farmers can realize. We have not provided for any operating expenses beyond that time. We have said to Mr. Hayes that we are providing the water largely because of the 360 farmers located along the waterway from the Bow river down to the actual works themselves and then, because of the necessity of the 250 farmers who are on the irrigated land being maintained somewhere, if not in the area where they now are, the government are prepared this year to put that amount of money into the project in order to maintain the water supply of these people not only for this year but for many years to come, provided sufficient money is obtained through the operation of these farms to pay the maintenance and management costs after the amount provided by the government has been expended. We are hopeful that this will be the result.

Mr. DOUGLAS: What is the difference between those two items, water development projects and western conservation works?

Mr. GARDINER: It would be hardly correct to say that all the money spent under item 308 will be under the Public Works Construction Act, but the greater part of it will be. I think the legislation is broad enough to make it possible to use some of the funds provided under the rehabilitation act for some of the work that is to be done under this second item.

Mr. DOUGLAS: I notice that most of the expenditures under item 308 are to be made through the municipalities, with the exception of the payment to this irrigation company. How will the money be spent under item 307?

Mr. GARDINER: It is hardly correct to say that these sums are being expended through the municipalities. I think there is only the municipality of Edwards and the municipalitiy where the Wascana work is being undertaken.

Mr. HEAPS: A few moments ago the minister referred to the fact that the cost of providing water for these farms would be a charge against the farms. Has the minister any idea that he could give the committee as to what would be the cost to those farmers who would be beneficiaries under this work?

Mr. GARDINER: The only cost that will be a charge against the farms is the cost of maintenance. That is a matter which perhaps I should have explained in the beginning. It is really the difference between doing this work from here and the way it would have to be done if it were carried on provincially. The provincial governments have irrigation acts which provide that the whole cost, including the cost of construction as well as the cost of maintenance, shall be a charge against the lands that benefit. Payments are made over a term of years, during which the capital cost is paid off. Last year in its wisdom the government apparently decided that those areas would not be in a position to undertake works of this kind on that basis, and the government of Canada undertook to pay the initial cost of construction. But there has been no undertaking to pay, and no provision made for, the cost of maintenance after the work is done. That is one reason why we considered it essential that we should have a working plan with the provinces in connection with these works. During their recent sessions the provinces have amended their acts in order to make them conform to the intention of the government and to make it possible for us to carry out some of these works. That is true of the province of Saskatchewan at least, and to a certain extent I think it is the case in the other provinces. So under their various acts the provinces will then arrange for the cost of maintenance to be made a charge against the lands themselves.

Mr. HEAPS: What is included in the cost of maintenance?

Mr. GARDINER: The maintenance of the ditches for irrigation purposes and the dam iteself. That is practically all.

Mr. HEAPS: I am thinking now of the capital cost, and the interest thereon.

Mr. GARDINER: That is being paid out of this amount.

Mr. HEAPS: There will be no charge against the farmers, then?

Mr. GARDINER: No, it will be a charge against the capital debt of the Dominion of Canada.

Mr. DONNELLY: Under item 307 I take it small dams for individual farms, as well as community dams, will be constructed. Can the minister give us any idea of what sum was spent in this way last year and how many of these dams have been built throughout the west?

Mr. GARDINER: I should like to pass this item before going on to anything else. That comes under item 307, which we have already passed.

Mr. DOUGLAS: That is the information I was asking for. Have these water development projects to do with small dams on individual farms and the western conservation works, No. 308, to do with large farms?

Mr. GARDINER: Yes, as I explained at the beginning, that has to do with small dams and dugouts.

Mr. DOUGLAS: On that basis how would the money be spent? Will it be spent by provincial or municipal authorities or by contract?

Mr. GARDINER: That work will be largely done by the farmer himself, or the farmer and his neighbours. The only payment the government makes in connection with it is three cents a yard for the earth moved in the case of dams in addition to the engineers' costs that we incur in giving them advice as to how to go about it. This is to cover the engineering services and three cents a yard for work of that kind.

Mr. DOUGLAS: I have come in contact with some of that work, and the parts I have seen have been very fine and the farmers are much pleased. But what about these other dams, say at Estevan; would that work be done by the municipal authorities or by a contractor?

Mr. GARDINER: As to the work at Estevan and Val Marie and Eastend,—that is if the Estevan work is ever undertaken; the Val Marie and Eastend work was let by contract to the lowest tenderer.

Mr. LEADER: I am not clear in regard to the last item in item 308:

Payment to the Canada Land and Irrigation Company, Vauxhall, Alberta, $65,000.

Do I understand this is a payment to a private concern?

Mr. GARDINER: Perhaps I should go a little more into detail in regard to what was mentioned by the leader of the opposition.

Mr. LEADER: If the minister will permit me a moment, it might save some time. My idea in bringing this up is that it seems a new departure. This work is undertaken by a private concern to furnish water for a great many farmers living outside that area. What assurance has the government that the private concern will not shut off this private supply of water at some future time?

Mr. GARDINER: To go over the whole story regarding this land and irrigation company would be rather a long matter. The fact is that it is not a new departure to give them money; the government of Canada on a number of occasions previously has paid money to this company, and the provincial government as well. The fact is that a group of British investors spent a large sum of money, estimated at some $15,000,000, in developing that particular area. They have come to the point where I think they are about ready to abandon the project and leave it where it is. The governments of Alberta and of Canada find themselves in this position: somewhere in the neighbourhood of six hundred farmers and their families are located along this waterway who depend absolutely on that stream for water. From time to time difficulty has arisen because of the likelihood of the company withdrawing. Representations have been made on each occasion and action has been taken by the government of the day, not to the extent that has been asked for but in a considerable way. On this occasion they asked for $150,000 to begin with, and it has been worked down to $80,000. We are paying that, not because we consider there is anything due to the company but because the government would have to do something to take care of these people, and probably this is as cheap a way as it could be done for the moment. What we think with regard to paying the money over to the company is simply this, that we are really paying it to Mr. Hayes who has been placed in charge of the works.

Mr. BENNETT: The receiver, isn't he?

Mr. GARDINER: Yes, as receiver, I think, with the consent of both provincial and federal governments, for a term of years. As a result of that arrangement we are paying the money to him and depending upon Mr. Hayes, from the experience we have had with him, to see that the money is properly expended and that the people get proper service as a result of the expenditure.

Mr. COLDWELL: I think I understand the point made by the hon. member for Portage la Prairie (Mr. Leader). There is considerable difficulty in carrying these private companies along; it involves expenditure every year. I was wondering if the minister had knowledge of the settlement that was made in Alberta by the Canadian Pacific Railway Company with the farmers of what I believe is known as the eastern development district. In that instance an investment of something like $17,000,000 was involved. The farmers in the area were obligated to the extent of some $5,000,000; a capital amount of $4,000,000 was in arrears and with accumulated interest it amounted to about $5,000,000. The farmers themselves got together and made a proposition to the Canadian Pacific, and the net result I believe is that the farmers have been relieved of their debt to the extent of about four and a half million dollars by the cash payment of one dollar, and the company is relieved of the obligation and necessity of applying to the provincial government—in fact I believe one of the last acts passed on the statute book by the late government of Alberta was one validating this particular agreement. The point I make is that here we have a large group of farmers in Alberta and a very large company which undertook a great development work which has proven more or less abortive financially, and they found it worth while to make a settlement with the people who were in their debt. Here we have the suggestion of paying an amount this year and probably an amount another year. If something like this has to be liquidated it seems to me the sooner it is liquidated the better, for the farmers as well as the company and the government of Canada. I bring that to the attention of the minister with a view to seeing whether something could not be learned from that particular agreement.

Mr. BENNETT: I am obliged to the minister for the explanation he has given with respect to this proposed expenditure. The real truth of the matter is that this company has made enormous expenditures and is insolvent. My recollection is that the receiver is in charge of the undertaking. The resident representative has had a very difficult time, and last year the government of Alberta

brought the matter to the attention of the federal government. The only concern we had in the matter is the concern that the minister has now expressed, concern for some six hundred people residing on irrigable and non-irrigable areas contiguous to this water. If the water is not maintained by someone the irrigable farms will become non-productive and the non-irrigable farmers will be deprived of the opportunity to provide water for their stock and for their farms. The water agreement under which they operated and the whole scheme of irrigation was a federal matter when it was launched. If the hon. member for Rosetown-Biggar (Mr. Coldwell) wants to read an interesting page of Canadian history and will review the exploitation of that area, the flotation of securities made in England and the representations as to what was to result from the efforts made, he will at least realize that all prejudiced people do not reside in one area, and that human nature in those days was not much different from what it is now. But during the war the federal government had to make a substantial contribution to that undertaking. Doctor Roche was minister at the time an appropriation was made, and it was found to be a very difficult matter. Every time the issue is the simple one, just as the minister pointed out: shall we save the people on these lands from complete disaster, or shall we make small expenditures to enable them to exist—because that is all it means, unless they can get some crop. They must have water in order even to exist, and the only way they can get water is through lake McGregor and a long canal, the main part of which is I believe about one hundred miles long.

Mr. GARDINER: One hundred and ten miles.

Mr. BENNETT: Yes. Whatever sum is necessary to save us from responsibility in connection with really providing for life for those on the area will be money that is well spent. The only reason I asked the question was to ascertain to what extent safeguards had been provided to ensure that the money would be used to accomplish the laudable purpose the minister has in mind, first, that of putting the ditches in such a state of repair as would enable the laying of water through laterals to the workable lands which are settled by some 250 irrigation settlers and, second, to make water available for stock. At times I am afraid in far off areas the water must be used by humans as well, but in such case it is first boiled. I am only asking that the minister make it clear that the excellent purpose he desires to effect shall be made certain by such safeguards as may be necessary to ensure that there shall be no failure to accomplish the purpose he has in mind.

I certainly believe there is no doubt that this had to be done. One does it reluctantly, but I see no way by which we can escape it, having regard to the whole story connected with the undertaking. It is a long story, and at the inception of it our position is not entirely free from blame. Those who are familiar with it must know that. At least three of the gentlemen connected with the initial exploitation and promotion have passed to the great beyond, and in view of that fact I shall content myself with not discussing the matter beyond saying that I do commend the minister for taking the steps which we would have had to take had we been in office. In any event the only question which gave us worry was as to how we might so safeguard the expenditures as to ensure beyond reasonable doubt that those affected should secure the water they desired to obtain.

Mr. FINN: The leader of the opposition made reference to a flotation of securities, and I should like to know where particulars of it may be found. Could he give that information?

Mr. BENNETT: The prospectus appeared in the London Times, but I am not quite sure whether it was in 1911 or prior to that. I am told it was before 1911, but the information may be looked up in the library. Securities were placed upon the market by the Grenfell firm in London, and the local interested parties were largely from western Canada. The unfortunate investor has not received anything for what my hon. friend calls the wages of money, and the unfortunate settler is now in the position where he must appeal to the government or find himself inhabiting an area which would be perfectly useless from the standpoint of agricultural value. I shall try to find the citation.

Mr. STEWART: One point has been troubling me, and it is this: The minister has said that a number of these works are ordinarily within the sphere of provincial activity. The dominion government is now stepping into the area and constructing works. Is there any definite agreement with the provinces that once the works are constructed they will be taken over and maintained in future by the provinces? If not, I fear we

shall find that the chickens will come home to roost. The contention will be that they are federal works and for all time must be maintained by the federal government. The other point is with reference to a possible liability for damages in connection with the diversion, the impounding or the retaining of water. What protection has the dominion against such liability?

Mr. GARDINER: Both those matters are dealt with by provincial legislation. Perhaps I did not make myself clear when I spoke a few moments ago. Taking conditions in Saskatchewan, with which I am more familiar —I administered the act at one time—may I say that under the irrigation act in Saskatchewan all safeguards are taken as a project proceeds.

Mr. BENNETT: The province followed the federal irrigation legislation.

Mr. GARDINER: Yes; it followed the original federal irrigation measure. The present provisions provide for taking in and marking out areas to be affected by irrigation or drainage schemes. All people owning the lands are consulted, and either by way of petition or otherwise a vote is taken to indicate the willingness or unwillingness of the people to enter upon a scheme. The general practice is to try to secure unanimous support of any scheme, although it is not essential to obtain unanimity. A provincial minister may make a final decision to the effect that there has been support sufficient to warrant proceeding. Expropriation and everything of that kind can then be carried out. So far as responsibility is concerned, the whole organization in connection with these small irrigation schemes is carried on under provincial legislation, and the responsibility for maintenance is placed on the individuals who enter into the scheme under the provincial act.

Mr. STEWART: That may be so in connection with any project undertaken by the province, but is the minister sure it applies to anything undertaken by the dominion?

Mr. GARDINER: Yes, when I was west two weeks ago I took special care to make sure of that. All the dominion does is this: We step into the picture to pay the original cost of the project, so that it does not become a levy against the lands. But all costs of maintenance remain. They are set up in the scheme and are charged against the lands so long as the irrigation exists. We are out of the picture after we have paid the cost of construction and our engineers turn it over to these organizations.

[Mr. Stewart.]

Mr. DOUGLAS: I have been marking on the map of Saskatchewan the places where the work is to be done, and I find that in the southwest corner, in Maple Creek constituency, there are four projects, all of which are needed. There is one near Moose Jaw and one near Regina. Unless the others mentioned by the minister are proceeded with it will mean that there will be a stretch of territory more than three hundred miles long and almost one hundred miles wide in which a condition of drought has existed and in which unless something is done to conserve the water, the possibility of raising sufficient crops to maintain a decent standard of living is remote. I should like to impress upon the minister the need of some work being done in districts such as that south of Radville, and in Bengough, Buffalo Gap and Willow Bunch.

Mr. BLACKMORE: I should like to express commendation of the government which held office last year for entering upon this work and passing the legislation. Also I should like to express commendation of the present minister and the attention he has given the matter. This kind of work is very worth while. The people in the area are a fine industrious type and I am sure that we shall be repaid for any efforts made in rehabilitating these farm lands.

Item agreed to.

Experimental Farms—

Buildings and improvements—honey extraction house, central experimental farm, $495.95.

Mr. MacNICOL: Is this item for the province of Ontario?

Mr. GARDINER: This is for a building in the central experimental farm at Ottawa.

Mr. STEWART: This is a small item and one would think that it would appear in the regular estimates. Why should this small item be in these special supplementary estimates?

Mr. GARDINER: It will be noticed that further along in the supplementaries is a program of work to be done mostly at the experimental farm. These are principally works provided in the proposals of last year. We are not carrying out all the proposals of last year; we are not carrying out the proposal for the erection of a very large building, but others are being constructed.

Mr. BENNETT: Did the whole building cost only this amount?

Mr. STEWART: This is a new building.

Mr. GARDINER: It is just a very small honey extraction building costing $495.

Mr. STEWART: I am just commenting on putting an item like this into a schedule of estimates said to be special supplementary estimates.

Mr. GARDINER: I am told that the building is incomplete. I was under the impression it was not yet started, but they tell me that it is under way.

Mr. STEWART: It could have been paid for out of the general vote.

Item agreed to.

Other projects—Prairie Farm Rehabilitation Act—rehabilitation assistance to provinces, $170,000; miscellaneous and contingencies, $132,000.

Sir GEORGE PERLEY: Will the minister give us a short explanation of this item?

Mr. GARDINER: This item has to do with the works already discussed, the projects already undertaken. The expenditures on the works previously discussed were much smaller than those to be undertaken under this item with the cooperation of the provinces. The first estimates that were brought down to me this year, having to do with these particular expenditures, showed what I considered to be too large a proportion for overhead. The reason for this was that we were attempting to set up a new organization for all these projects, which, as I said a few moments ago, would probably have to be discontinued at the end of four years. We have tried to devise some means of having these works administered under the supervision of the department in a manner that would be less costly in so far as overhead is concerned. I do not make that statement by way of criticism because I think any minister or any government which might be here for the time being would consider the exceedingly high cost of administration and try to remove some of it. In this connection what we are doing is to ask the provincial governments, which already have staffs set up in the provinces or are in the midst of having this done, to assist us in the distribution of grasses for seeding purposes, in the establishment of agricultural associations, in moving settlers from what might be called light land into areas of better land in order to avoid excessive relief costs in the future, and in having some of these lands seeded down in community pastures into which a water supply will be put so that the people round about will be able to get their feed and water supply without having to go long distances in the dry seasons. We are asking the provincial governments to give us a greater degree of assistance in carrying out this work. The greater part of this money will be spent on the work, only a comparatively small part being spent for assistance obtained from the provincial governments.

Mr. BENNETT: Under whose supervision will the money be spent?

Mr. GARDINER: Under the supervision of the dominion government.

Mr. COLDWELL: Will this include anything for soil surveys and so on? The minister stated that this vote would include something for the removal of people from light lands. During the last few years a number of people have settled on lands which are deficient in nitrates and phosphates and which in the future will present a problem to the western provinces. Is the federal government cooperating with the provincial governments in this connection? Does this appropriation contain anything for that purpose? Is there enough appropriated?

Mr. GARDINER: Soil research work is being carried on at the experimental farm at Swift Current. Last year a building was erected there in which this work is carried on. This would be carried on under the second part of the item, miscellaneous and contingencies.

Mr. STEWART: This item would seem to be similar to item 307 and I was just wondering why the two have been separated. They both are under the Prairie Farm Rehabilitation Act and it looks to me as though there might be something in the nature of overlapping or conflict.

Mr. GARDINER: The first group covers projects undertaken last year and carried on more or less to completion. The other projects are those that we are going on with under the continuing policy.

Mr. STEWART: I was wondering why they were not listed in the same manner as those undertaken last year and why they are being carried out through the provinces.

Mr. QUELCH: Would the assistance to be furnished to settlers to move out of light land areas consist only in the payment of part of the freight rates or would it include financial assistance?

Mr. GARDINER: This work is being carried on under provincial acts. Most of the provincial acts provide for taking people out of areas that have been found from experience to be too light to be properly inhabited by people carrying on farming operations. Through tax sales and otherwise, certain municipalities have come into possession of the greater part of such lands. There

might be one or two farmers who have been able to maintain themselves, perhaps in the centre of a particular area and the idea is to clear the area entirely of settlers and turn it into a community pasture into which a water supply would be put. Grass would be grown instead of grain. We believe that under the provincial legislation arrangements can be made to move these people from the lighter lands to better lands which may also be owned by the municipality and which are outside the particular area. We intend to ask the co-operation of the municipalities and the provinces in this work. There will be a certain expense in sending men to these areas to try to bring about this cooperation. In the case of mortgage companies holding mortgages on lands in such areas and perhaps owning lands outside the areas, we hope to bring about similar cooperation in order to get these people moved to other lands where they can start to make successful homes. This cooperation will be encouraged by the expenditure of this money and, in cooperation with the provinces and the municipalities, there will be an encouragement of the development of lands for community purposes.

Item agreed to.

Western conservation works—
Development of a gas well at Red Deer river, Atlee, Alberta, $8,000.
Wood river stock watering dams, Coderre, Saskatchewan, $7,500.
Berry Creek water storage project, Berry Creek, Alberta, $25,000.
Sundry projects, $105,531.09.

Sir GEORGE PERLEY: Could the minister give us a short explanation of these items, just as he did in connection with the others?

Mr. GARDINER: The gas well at Red Deer river is an experimental project. I understand that in certain sections of Alberta comparatively shallow wells, as gas wells go, can be dug to supply sufficient gas to carry on pumping operations for the furnishing of sufficient water for the stock in the surrounding area. An endeavour is being made at Atlee, on Red Deer river, to sink a well some 800 feet where they are convinced, from experience along the stream, that they can obtain a large supply of gas which they will use for the purpose of providing a water supply for the surrounding country. It is an experimental project.

Mr. BENNETT: I was curious to know to what extent this assistance would be given in connection with gas wells. The minister knows better than I that once you get it started in a certain way every man will want some assistance in the sinking of a gas well, and the selection of those to receive assistance would be very difficult. That is my point.

Mr. GARDINER: That was my own reaction when I first ran across the project. It is one of the projects under consideration last year but not actually started. I raised the same objection that the leader of the opposition has now stated, but I was convinced by argument, particularly of the committee of which the right hon. gentleman has spoken.

Mr. BENNETT: Did they recommend it?

Mr. GARDINER: Yes. I discussed it with them at the time and they were strongly of opinion that it was worth while spending the amount of money necessary for this one experiment. So far as I am concerned I intend to draw the line at this as an experiment. I do not think we should assist generally in the digging of gas wells for particular purposes.

Mr. BENNETT: Not that it might not at one time have been highly desirable, the dominion then owning the whole of the natural resources, to assert the rights of the crown and carry on development. That is another matter altogether. Is it a company or a private individual, or is the government doing the work itself?

Mr. GARDINER: The government is doing it itself.

Mr. BENNETT: Sinking a well at an expenditure of $8,000?

Mr. GARDINER: No, 800 feet, whatever the expenditure will be.

Mr. STEWART: What about the second item, $7,500?

Mr. GARDINER: That is a watering dam. I know the Coderre district fairly well and I have asked for a special investigation of this project before going on with the expenditure. The work had proceeded sufficiently far last year to warrant our asking for the money. Last year was probably an exceptional year. We had had four or five very dry years, and while it is possible that we may be able to get along during the greater part of the time without the expenditure of this money, I thought it wise to ask for the grant in view of the work already done.

Mr. STEWART: What about the next item, the water storage project?

Mr. GARDINER: Berry Creek is in the dry area outside the irrigated section. This

is another storage scheme to hold back water in order to assist the irrigation system and to supply water during midsummer. It would be of inestimable value to the live stock industry in the district and would eliminate the necessity of bringing in hundreds of thousands of tons of feed for relief purposes and moving thousands of head of cattle out of the district.

Mr. BENNETT: Where is Berry Creek?

Mr. GARDINER: It is on the edge of some of the irrigation districts.

Mr. QUELCH: It is in Acadia, in my district. Is it intended to subdivide any of these lands into smaller areas for feed purposes?

Mr. GARDINER: This is more a straight irrigation project, just on the edge to the north and east of the Brooks area. There is an existing irrigation system and this is to give a complete water supply over the season. I do not think this would lend itself to the same divisions as are anticipated in the other.

Mr. STIRLING: It is not a part of the Canadian Pacific eastern district?

Mr. GARDINER: No.

Mr. MacNICOL: By whom are the plans prepared and the surveys made?

Mr. GARDINER: By engineers, under the control of the department.

Mr. MacNICOL: Of the federal government?

Mr. GARDINER: Yes.

Sir GEORGE PERLEY: There is an item, "sundry projects." I take it that these two items, 310 and 311, are put in to cover everything that the minister has in mind to do under the Prairie Farm Rehabilitation Act during this season. Has he sufficient money to cover everything that he intends doing under that act during the current year?

Mr. GARDINER: The projects that are detailed here cover everything we contemplate doing under the act.

Sir GEORGE PERLEY: Items 310 and 311 taken together cover everything the minister intends to do during the current year?

Mr. GARDINER: All the items, from 307 to 311, except buildings at Ottawa.

Item agreed to.

Experimental Farms—Buildings and improvements—

Extension of botanical greenhouses for arboretum and botanical garden at central experimental farm, $4,528.60.

Replacement of director's residence, central experimental farm, $12,000.

Addition to fibre mill and plant, central experimental farm, $2,300.

Farm machinery building, including general work-room, laboratory space, etc., in connection with field husbandry central experimental farm, $60,697.

Erection of field laboratory, necessary repairs to existing buildings on property, erection of fencing, installation of telephones, repairs to road, and certain equipment at Kamloops, British Columbia, $7,000.

Sir GEORGE PERLEY: The minister might explain the item of $60,000 for farm machinery building, including general work-room and so on.

Mr. GARDINER: This building is not what is generally understood on a farm as merely an implement shed. It is intended not only to house the machinery but as a building in which to carry on experiments in connection with machinery and to facilitate work in regard to any changes that may be made, repairs and so on.

Sir GEORGE PERLEY: Is it a new building?

Mr. GARDINER: Yes.

Sir GEORGE PERLEY: Not yet started?

Mr. GARDINER: No.

Mr. CHURCH: This is an item with respect to the central experimental farm. I do not see the Minister of Finance in the chamber. I would ask him whether in his opinion this particular item might not stand over until next year, if we are to have any economy. The item includes an amount for replacement of the director's residence at the central experimental farm. The budget is not down yet and these items are all charged to income. The minister has his main estimates in which provision is made for the farm, and here he is asking us to pass an elaborate item for buildings and improvements, extension of botanical greenhouses, replacement of director's residence, farm machinery building and all the rest of it. Where is all this going to end in this economy year when the government is sure to have a huge deficit? When aid for the industrial provinces was under consideration the Minister of Finance wanted to know where the money was to come from. Money does not come like the dew from heaven. These items are chargeable to income, we are told, and in view of the deficit for which provision will have to be made we are sure to have an increase in income tax. I hope not, as the two central provinces cannot stand such an increase.

I objected a moment or two ago to this grant to Saskatchewan. I object now on behalf of the province of Ontario to an appropriation for these experimental farm expenditures. The business man to-day is taxed to death, and if any more burdens are to be put upon him I do not know what will happen. The minister is only a new minister, and if he would say "no" to some of his officials the effect might be beneficial. There are many public buildings and residences more urgently needed; a residence and other improvements on this farm could well wait until next year. The committee is asked to provide $12,000 to replace a director's residence, while the supreme court is located in a storehouse or stable and not a cent is available for housing. Surely this item could be reduced or held over for twelve months to give the country a chance to balance its budget. It is just such comparatively small items as this $86,000 which will help with others to make up a deficit for the year. I do not know the views of other members from Ontario; but wait until they see the income tax boosted to take care of all these extravagant items.

Item agreed to.

Brandon winter fair and live stock association building—repairs and alterations, $25,000.

Sir GEORGE PERLEY: This item, it seems to me, requires explanation. What is the necessity for this building?

Mr. GARDINER: All across Canada we have carried out, by different governments of Canada, a policy under which fair boards have received assistance for the erection of their buildings. It has been a three-way program: the dominion government has paid one-third, the provincial government one-third, and the municipality the other third. The Brandon people have never had any assistance in connection with the erection of these buildings.

Sir GEORGE PERLEY: They have never had any assistance before?

Mr. GARDINER: No. They have spent $200,000 in putting up buildings at Brandon. The roof of this building is in very bad shape, and we are putting in this item this year to provide for a roof.

Item agreed to.

DEPARTMENT OF FISHERIES

Other projects—to aid, in cooperation with provincial governments concerned, in reestablishment of needy fishermen, $300,000.

Mr. NEILL: Would the minister give some explanation of this item?

[Mr. Church.]

Hon. J. E. MICHAUD (Minister of Fisheries): The item provides for an amount of $300,000 to aid, in cooperation with provincial governments concerned, in the reestablishment of needy fishermen. The intention of the government is to use the money in cooperation with provincial governments, supplementing whatever amounts the provinces may think necessary, to reestablish fishermen who, we understand, in the present year or during the last few years have been unable to gain from their occupation the revenue necessary for their subsistence and the support of their families.

Mr. VENIOT: Under this item may I ask the Minister of Fisheries (Mr. Michaud), in the absence of the Minister of Finance (Mr. Dunning), to draw to the attention of the latter the remarks I am about to make. I wish to refer to the act passed in 1935 placing fishermen in the same category as farmers in respect to borrowing money, for the purpose of constructing new vessels and repairing old ones, and to some extent, I think, obtaining fishing gear. Last year I drew the attention of the then government to the necessity of something being done along these lines. When the act came before the house in the last days of the session I was unavoidably absent. Had I been present I should have been able, I believe, to point out to the then government that the act in the form submitted to the house would not be effective in bringing about the result which was intended. The intentions were good, but the act could not be carried out. For instance, under it you cannot borrow money for, say the construction of new vessels except by giving a mortgage upon the real estate of the borrower. That does not help the general run of fishermen; ninety per cent of them cannot avail themselves of the act. Having a little real estate, and while they are engaged in fishing, their relatives at home being at some period of the year working on their farm properties, these fishermen feel that if they give a mortgage on their real estate, and their vessel is lost, the real estate would have to go and they would lose everything.

If the act were amended to provide for taking a bill of sale or a chattel mortgage upon the vessel, and the vessel itself, being new, were insured in a marine insurance company, in case of loss the government would receive the insurance and thus have money to loan back again to the fisherman who met with this disaster, and the money would go on being used from year to year in that way. My suggestion is that the act be amended so as to permit or oblige the fisherman to

give a chattel mortgage or bill of sale to the federal government on a vessel to be constructed under this act or under aid from the government. If it were found difficult to insure these vessels under marine insurance, the government would be in a position to require the companies to adopt some plan by which this insurance could be effected. Some difficulty arose two years ago in connection with insuring farm property. When a farmer borrowed money under the old act he had to insure the property up to at least the amount of the sum borrowed. Some of the insurance companies, the moment that he was in a position to borrow money from the government, concelled the insurance they had. I brought that matter two years ago to the attention of the finance department, and the then minister, Mr. Rhodes, undertook to make arrangements with the various insurance companies whereby, if that practice prevailed, it should cease. If the government can take means to see that the farmer is properly protected, the same thing can be done by way of aid to the fisherman, if it should be found difficult to obtain marine insurance. I would therefore request that the Minister of Fisheries draw the attention of the Minister of Finance to this matter and see whether some amendment cannot be adopted by which the act of 1935 will be made more workable.

The reason I stress that point is this: Outside one county in Nova Scotia, I represent the county in which there is the largest fishing fleet in the maritime provinces. To-day from 275 to 325 of a fleet leave our coasts on a Monday morning and return on the following Saturday night after spending the whole week fishing. Owing to the depressed condition of the codfish market during the last four or five years, particularly during the last two years and more especially since the imposition of sanctions against Italy completely shut off our market in that country for salt dried cod, the owners and crews of these vessels have not earned enough to keep the boats in repair. This year quite a number of these vessels will remain at the docks and will not be put to sea. It may be that during the last four or five years they have not been kept in repair and have become unseaworthy, while others need to be replaced by new vessels. Under this act that cannot be done, for the reasons I have already mentioned.

I believe the government should come to the assistance of these fishermen just as assistance has been given to farmers generally throughout the country. I heartily approve and support the giving of assistance to farmers; I think this will work out fairly well, with a few slight changes, but if the government do not come to the aid of the fishermen then what is perhaps the most important industry in the maritime provinces will gradually disappear and many of our fishermen will have to give up their calling and look to the government for direct relief. It would pay the government to spend money in this way instead of giving direct relief to the fishermen. They do not want relief; they want an opportunity to earn a living, as they have done in the past. They risk their lives on the deep sea in pursuit of their calling. Their industry, in common with other industries, has been hit by the depression, and they are not able to carry on as they have done in the past. This afternoon I listened with a great deal of interest to all that was said in support of the relief which is to be given in the stricken areas of the prairie provinces. I hold up both hands in support of what has been done in the past and what is intended for the future. At the same time, however, we have misery and distress in the maritimes. What wheat is to our western farmers the fishing industry is to us in the maritimes, and we have a perfect right to expect from governments, both provincial and federal, that aid to which we are entitled in order to enable our people to carry on until this depression passes by. I am glad that by means of this vote a step has been taken in the direction of doing something for our fishermen. I consider the amount fairly small, but I approve the principle of doing something, through a vote of parliament, to come to the aid of our men.

Let me say to the Minister of Fisheries, however, that in whatever arrangements are made with the provincial government he and his department should not lose any of the supervision which should be retained over the expenditure of the money. I contend that if we give money to the provincial governments in order to aid the fishermen the federal Department of Fisheries should have supervision over the expenditure of the money. I think some officials, either from Ottawa or from outside, should be appointed to see that all arrangements for the distribution and expenditure of this money in each of the maritime provinces, and in fact in any province where this money may be expended, are carried out properly. I hope the suggestions I have made to the minister concerning loans to fishermen for the construction and rehabilitation of vessels will be taken under serious consideration.

Mr. CHURCH: I have no objection to this particular amount of $300,000 which is to be

spent, in cooperation with the provinces, for the assistance of needy fishermen. Last session there was introduced by the late government a fisherman's protection bill which was a step in the direction of giving protection to these needy men so that they would not lose their homes, nets, boats and other property; it was an extension of the farm loan principle to the fisheries of this country. I contended then, as I contend now, however, that this protection should be extended to fishermen in all the provinces to the head of the lakes instead of just to those in the maritime provinces. I say that it should extend to the fishermen on the great lakes.

To-day we are giving protection to both farmers and fishermen, and quite rightly so. I agree with everything that has been said by the former Postmaster General (Mr. Veniot) as to the situation of these poor people, both in the maritime provinces and on the great lakes. They are suffering many hardships to-day, but since the government have given protection to farmers and fishermen I want to ask them this question: Are you or are you not going to extend this same principle of protection to the industrial workers of this country, who are losing their homes through foreclosure and who are being put out on the street? These are skilled mechanics, artisans, carpenters, bricklayers and that class of people, who make up fifty-three per cent of the workers of the dominion. Are you going to extend this principle of protection to all the people all the time and not some of the people some of the time? The Minister of Labour said he would study that question.

The CHAIRMAN: I regret to have to inform the hon. member that he is not speaking to the item under discussion. He is entirely out of order and must confine his remarks to the item before the committee.

Mr. CHURCH: I accept your ruling, Mr. Chairman, but I could quote precedents from Redlich, May and all the authorities to show that it is quite in order to make protection comparisons and contrasts in connection with a vote. But although I am quite in order I will not argue the point with you, Mr. Chairman, because I have found you a pretty fair chairman. I simply ask this government under this vote to do its duty towards all those in need, whether they be fishermen, farmers or industrial workers. Why make a football of the needy industrial workers while you give relief to fishermen and farmers? When will some vote appear in the supplementary estimates making a grant in behalf of the industrial workers? There is nothing at all in the main estimates; not one dollar is voted for the needy industrial worker. I have no objection to this vote. I hope it will pass, but I think we should have some statement of policy on behalf of the government as to whether or not they are going to extend this vote or to do anything for these industrial workers.

The CHAIRMAN: I do not like to interrupt the hon. member, but he must discuss the item under consideration. At present he is entirely out of order, as I think he well knows, so I would ask him to confine himself to the subject under discussion.

Mr. CHURCH: With all due respect, Mr. Chairman, item 314 says "to aid." What does "to aid" mean?

To aid, in cooperation with provincial governments concerned, in reestablishment of needy fishermen.

That is a protectionist statement and vote. I know the rules. The discussion is relevant. You must believe in protection yourself, sometimes, Mr. Chairman. This is advanced protection, something never done before by this parliament. These matters come under property and civil rights and are in the jurisdiction of the provinces. This relief is going beyond that; this goes much further than the relief measures; this is going to give these people something in addition. No doubt needy fishermen need some new equipment, boats and that kind of thing, as set out in the bill before parliament last session. I did not object to that measure, but I think the government should now come along with relief for the needy industrialists who have been knocking at the door of parliament. They are on relief; all they can get is a hand-out of a few loaves of bread. They are entitled to the very same protection as are other workers. I have expressed that opinion before and I am going to express it at every opportunity I get because I believe that fifty per cent of the workers of this country are entitled to some form of protection the same as are those engaged in fisheries and agriculture. We have protection for some and not for others; if you are going to protect some people who are needy let us have this protection for all the people of Canada all the time who are in need and losing their houses, their businesses and all that kind of thing.

Mr. HANSON: I want to associate myself with the hon. member for Gloucester (Mr. Veniot) when he describes the fishermen's griefs and also the inequity of the bill passed last year in connection with assistance to

fishermen in building their boats. Especially I should like to call the attention of the minister to the recommendation which he has received from the Pacific coast, from the deep sea fishermen there. The act passed last year allowed each fisherman only $1,000. In order to get that they had to mortgage their boats and real estate. But for the deep sea fishermen on the Pacific coast it is impossible to do anything with $1,000. Their boats in the first place cost all the way from $5,000 to $20,000, some up to $40,000 and $50,000. The fishing industry out there is the back-bone of business on the British Columbia coast. For instance, the port I represent, Prince Rupert, brings in each year five or six or seven million pounds of halibut. This fishing is all done in deep waters outside the coastal areas. A loan of $1,000 to build boats of that kind is no assistance at all. Representation has been made to the government and to the minister that this amount should be raised, and there is no doubt in my mind that this could be done for the fishermen the same as it has been done in this housing scheme. The fisherman is required to give security on his boat or his real estate, and I do not see why the department should not extend to the fishermen the same privileges as they are doing under the housing scheme which in my opinion is a good idea and should be extended to everybody. We hear this plea not only this afternoon but year after year. I say, give the fishermen all the assistance that is coming to them. These men are the back-bone of the country and must be given the assistance they need. The farmers are provided for; it is not right to forget the other primary industries. I urge the minister to give his best consideration to the representation he has received from the deep sea fishermen. I know some consideration is required by the shore fishermen, but they have been getting help, while the deep sea fleet on the Pacific coast has had very little, if any consideration.

Mr. FINN: At an earlier stage of this session I complimented the Minister of Fisheries upon having come to the province of Nova Scotia to look into the needs and the distress of our people there in connection with the fishing industry. I also complimented the Minister of Railways and Marine upon his visit to us, and to him we look for future results. But to-day, when I look at the estimates brought down by the Minister of Fisheries I confess that I am absolutely disappointed. I thought of the fishing industry along the coast of Nova Scotia and along the shores of the great province of New Brunswick, to which the former Postmaster General (Mr. Veniot) has referred, an industry which is so hazardous in contradistinction to the fishing industry on the Pacific ocean, for on the Pacific they have the lovely sunshine and the smooth waters as against the terrific gales, the heavy seas and the awful chances taken by our fishermen on the Atlantic. If hon. members of this committee will look through the newspapers during the last month they will find that some thirty-five fishermen along the coast of Nova Scotia lost their lives in trying to pursue their industry in order that they might have a bite to eat in their homes for their children and themselves.

To-day the fisherman sets his nets or his traps on that coast, and what becomes of them? He looks out from his doorway on a rock-ribbed coast, and finds that these things with which he has to earn his livelihood are absolutely gone. We have had here this afternoon the estimates in reference to our middle west, the provinces of Manitoba, Saskatchewan and Alberta. To these votes I take no exception. When provision is made by the minister for agricultural development and the removal of people from one set of lands to another in order that they may make a livelihood, no objection is raised by us. But, Mr. Chairman, there is only one of two places on which the fisherman can plant his foot; he can plant it either on the granite rock or in the Atlantic ocean. I would ask the Minister of Fisheries if he is at liberty to say what agreement he has entered into with the government of the province of Nova Scotia from which I come. As to the other provinces, hon. gentlemen here can ask that question for themselves. I come from the county of Halifax which extends along the coast from Ecum Secum to Hubbard's cove, 200 miles, and the people along that shore depend absolutely for their living, the maintenance of their families and the education of their children—and I was going to say some amusement, but I am afraid they get little of that—upon the fisheries. Along that coast, and particularly on the westerly side of Halifax harbour to Shad bay and the various districts as far as Hubbard's cove, the children have had to remain in bed to keep warm because their parents had not money to buy coal—and there are only granite rocks; there are no trees to cut down to give them warmth—let alone shoes for their children to wear to school. I support the government of the present Prime Minister (Mr. Mackenzie King), and in that

government I support the Minister of Fisheries, but when I see the miniature estimate brought down to help the fisheries I am not pleased. Undoubtedly the vote in the estimates is to cover expenditures in all provinces where fishing is an industry. I speak my mind because I thought that after the visit of the Minister of Fisheries to the maritime provinces there would have been an opportunity to discuss with him, this great problem and the attitude of the government thereon. I should have thought the opportunity would be given before the estimate was placed before the committee.

Already I have pointed out, in a communication addressed to the government, that I believe this year a bonus should be given to fishermen, not only to those in Nova Scotia but to those in all provinces affected. Other provinces, however, except in a sympathetic way, do not come within my purview. I must repeat that the vote of $300,000 for needy fishermen in all the provinces where fisheries are established is a useless sum, and cannot be effective. I was going to use a word which, though perhaps not unparliamentary, would have been harsh, and I have no desire to use harsh language, even when replying to the leader of the opposition, for whom I have great respect.

Without any desire to embarrass the Minister of Fisheries but rather to help him I should like to know whether this is the final vote for needy fishermen throughout Canada. If the amount is divided it will be found that the needy fishermen in Nova Scotia cannot exist upon the amount which would go to them. I may be wrong, but it is my impression that in the Canadian west we have the wheat board and the wheat exchange. The price of wheat is fixed, and the government pays the difference between the market price and the price which is fixed. On the other hand the fisherman must go his weary way upon the seas. He receives nothing from anybody, and he must sell for two cents per pound fish which is sold in stores for fifteen or sixteen cents per pound. Who receives the profit? The fishermen and the farmers are the backbone of Canada, and although the fish in the sea cannot be seen, as is the wheat grown on the western prairies, that is no reason why the fish should be forgotten. I can see no sound reason why a supplementary vote, one which would meet the requirements of fishermen, should not be brought down. The minister could stand behind it. These are days when general relief measures are necessary, but only the fishermen who go to sea, many of whom are going out for the last time, know the hardships of working night and day in cold weather, away from their families and their home districts.

These are the conditions which have caused me to speak forcefully this afternoon. I have no desire to embarrass the Minister of Fisheries, because this is the first year he has held office as minister of that department, but I believe it my duty to draw to his attention the needs and requirements of fishermen. Before the vote is passed I suggest some person or persons should be sent to find out the needs of the fishermen, how they live and what agreements have been entered into with the provincial governments. So far as my province is concerned I say that they should find out what agreement has been entered into with the government of the Hon. Angus L. Macdonald, Premier of Nova Scotia. Until that information is forthcoming I suggest that the minister should allow the item to stand to permit personal conferences with him, and he should be assured that before the item appears in the estimates careful study has been given to the whole matter, and that there is an understanding of conditions existing.

The hon. member for Gloucester spoke of legislation passed in 1935, and although I have tried to find out, I must say that I do not know to which particular act he refers. There is one which has reference to fisheries, another referring to relief and a third respecting people receiving titles, but I cannot see anything applying to fishermen.

At six o'clock the Speaker resumed the chair and the house took recess.



## After Recess

The house resumed at eight o'clock.

### COPYRIGHT ACT

On the order:

Resuming the adjourned debate on the motion of Mr. Esling for the second reading of Bill No. 7, an act to amend the Copyright Amendment Act, 1931.

Hon. FERNAND RINFRET (Secretary of State): Mr. Speaker, I notice the sponsor of this bill is in his place and perhaps he would consent to drop the bill due to the fact that a government bill covers all these points.

Mr. W. K. ESLING (Kootenay West): I am quite willing.

Bill withdrawn.

### FISHERIES ACT AMENDMENT

Mr. THOMAS REID (New Westminster) moved the second reading of Bill No. 20, to amend the Fisheries Act, 1932.

Mr. BENNETT: Explain.

Mr. REID: Mr. Speaker, at the outset, may I say that the bill which I am introducing to the house is practically the same bill as was introduced last year. As this is almost a new house as far as members are concerned, perhaps it might be well if I stated briefly the objects of this bill. I shall endeavour to be as brief as possible, realizing, however, that some explanation is necessary. The proposed bill deals particularly with the salmon industry as related to the Fraser river. The Fraser river flows into the gulf of Georgia and its fresh waters carry out quite a few miles into the gulf. From confederation to 1933 the gulf of Georgia, the estuary of the Fraser river, has been fished entirely by those using gill nets.

So that hon. members may have a better idea as to what the dispute is about, I should explain that two methods are used principally in fishing for salmon in British Columbia. One method is the gill net operated by a fisherman, sometimes assisted by a helper but mostly working alone from his boat. The gill net is some 1,200 feet long by thirty feet deep. I am using the measurement of feet to describe these nets although the term "fathom" is used in the Fisheries Act.. I believe the expression "feet" will be more easily understood by the members. From confederation to 1933 only gill netters were permitted to catch fish in this area.

The other method of fishing is by seine nets. The seine boats carry a crew of from seven to nine men who go out into the open waters or clear salt waters when a school of fish is sighted, and may I say that a school of salmon is very easily located by the numerous sea-gulls and other birds hovering round. When a school of fish is sighted these seine boats drop their nets which measure 1,200 feet by some seventy-three feet, as against the thirty foot depth of the gill nets. They circle the school of salmon and then pull the net tightly together at the bottom with cords when it comes up like a purse. That is why they are called purse seines. The catch of fish made at one set by these nets is almost unbelievable. They have been known to pick up as many as 10,000 salmon at one lift. In fishing for herring they have been known to bring up as many as twenty-six tons at one time. Hon. members will readily understand the havoc wrought in a school of salmon by this type of fishing.

For the information of hon. members, may I point out that the salmon head through the straits of Juan de Fuca coming up from the southern Pacific ocean. They head also into the rivers of the Pacific coast, but principally into the Fraser river. As I pointed out, seine fishing has been permitted in other areas, but this area was exclusive to gill netters from confederation to 1933. In 1922 a commission, consisting of many hon. members of parliament, some of whom are still in the house, was appointed to go to British Columbia to investigate the whole industry. This commission reported that in all areas where gill net fishermen could operate, seine boats should be prohibited entirely. It was felt that if seine fishing were allowed in certain areas the fishing industry would be depleted, due to the scooping up in large numbers of all varieties of fish, including immature fish. The mesh of the seine net is only three and one-quarter inches and when it is pulled tight, everything encircled within it is brought up.

Mr. BENNETT: They put some back into the sea.

Mr. REID: No, sir. I shall deal with that in a little while. As interjected by the leader of the opposition (Mr. Bennett), it is claimed that some fish are put back into the sea. This is the claim of the cannery men, the principal owners of the seine boats, and the seiners themselves. I have letters stating that immature fish and fish out of season have been sold in various Pacific coast cities after having been caught in these seine nets.

In 1933, when the house was in session, an order in council was passed permitting seine boats to go into this special area. This was done even though there was a standing fisheries committee. These seine netters had been besieging every government for many years to allow them to enter this area to fish. Contrary to the statement of the deputy minister of fisheries and others, seine boats are ninety per cent owned and controlled by the canning interests. They are really mobile traps because they can fish one area and then move on into another, and this is what has been taking place. The very day this order in council was passed I received from the acting Minister of Fisheries a letter, a copy of which I have in my hand, stating that this matter would be considered. This statement was made in that letter even though he or some one had signed the order in council that very day allowing seine boats to enter this area.

Mr. Speaker, at this point may I say I am particularly pleased at the appointment of a Minister of Fisheries. In 1930 there was a minister of fisheries and at that time I expressed my thanks. I was sorry to see the then Minister of Fisheries transferred, but from then until the elections we have had only an acting Minister of Fisheries. As

the first acting Minister of Fisheries, (Mr. Duranleau), pointed out to me, there was no use in his interesting himself in the fishing industry as he was only the acting minister. He left everything to the officials of the department. I am glad that a Minister of Fisheries has been appointed now because the fishing industry is one of the important industries of Canada.

I should like to direct attention to the fact that the value of the production of this industry has been going down from year to year. I shall not weary the house with figures, but in 1929 the value of the production of this industry was $53,518,521, the value of the British Columbia production being $23,930,602. In 1934-35 the production dropped to a total value of $34,121,941, the production in British Columbia having dropped to $15,334,335.

Mr. BENNETT: Was the first year 1929?

Mr. REID: Yes.

Mr. BENNETT: Why not take a year comparable with 1935?

Mr. REID: What year does the right hon. gentleman suggest?

Mr. BENNETT: Either 1932 or 1931.

Mr. REID: In 1930 the total value was $47,804,216; in 1933-34 it was $27,558,053. If one takes the figures for successive years, it will be found that the total valuation drops from year to year. The increase in 1933 is due to the fact that there was an extraordinary run of certain variety of fish in that year. If I had the time to go into the figures, I could show a drop in quantity and in value from year to year. Salmon fishing is the most important fishing industry in British Columbia. Out of a total of production last year amounting to $15,334,335, the value of the salmon industry was $12,351,641. It is practically the greatest industry we have in British Columbia.

Mr. BENNETT: Except lumbering and mining.

Mr. REID: I was speaking particularly of this variety of fish as against others. In 1933 there was invested in vessels practically $25,000,000 and in canneries $16,000,000, or a total of $41,000,000, and in 1934-35 that total was over $43,000,000. In 1933 there were employed 65,391 persons and in 1934-35 that number had increased to 68,634. The total number of those employed in the industry including those on shore was last year 82,372. The number of those engaged in fishing had increased, for the reason no doubt that many who had prior to that time been unemployed went into the fishing business in an effort to obtain a livelihood. This, I believe, shows the importance of the industry.

The dispute in question affects the livelihood of some 2,000 fishermen, and I have already pointed out that this area had been fished exclusively by gill nets. With reference to orders in council, the 1922 commission recommended that adequate notice should be given before the passing of any orders in council, and in this connection I would direct the attention of the house to a matter which I consider serious. We seem to be drifting into this position: We pass the nucleus of a law and then allow the minister or his department to issue large booklets of regulations which practically change the whole act. I hold in my hand the latest orders in council passed this year and together they are almost as copious as the act itself. They were passed without any information having been previously given out, although the statement is made that the matter had been discussed with the industry. Here we have orders in council passed almost as bulky as the act itself, and this done practically without the sanction of parliament. I wish to call the minister's attention to a particular clause, and I would ask the house whether it is not something unprecedented as far as orders in council are concerned. I am referring to the regulations having to do with the inspection of canned salmon.

Mr. MICHAUD: The documents to which the hon. gentleman is referring include regulations as well as orders in council.

Mr. REID: Perhaps they do, but wait until you hear this one.

Mr. BENNETT: The order in council is passed to validate the regulations.

Mr. REID: The documents I have before me include orders in council and regulations; I say that so that the minister and I shall be in agreement. Regulations have been passed in connection with canned salmon, for both export and import. In connection with canned salmon coming into Canada, this is what section 32 (b) says:

> All shipments of canned salmon imported for sale in Canada shall enter through a British Columbia port only.

Can the house imagine a provision that all potatoes entering Canada shall come in through Prince Edward Island or Nova Scotia, or that all strawberries shall enter through Ontario? I do not know whether the minister has seen this provision, but it seems to me—

Mr. BENNETT: Will the hon. gentleman be good enough to read that again.

Mr. REID:

32(b). All shipments of canned salmon imported for sale in Canada shall enter through a British Columbia port only.

Mr. BENNETT: It is not worth the paper it is written on.

Mr. REID: As a layman, I say the same, and I doubt whether it was called to the attention of the minister. But it shows what is happening to-day. Regulations are drawn up and if they are passed while the house is sitting no minister has time to look at them; naturally the minister takes the word of the deputy or of the departmental officials. And this is just a sample of what we have been getting. It is preposterous and I hope the minister will look carefully into it. I hold that it had been the policy of the Liberal government that no purse seine fishing should be allowed in the area conserved. The commission that sat in 1922 went into the matter thoroughly and submitted its findings, which were adopted by the house. I could put on the record statements to show that an assurance was practically given the fishermen by the present Prime Minister last year that something would be done to conform with the recommendations of the report of the commission that investigated the matter in 1922. I think I could say there was almost a promise that this would be done. The seines were first allowed in on the argument that the question was one of quality. It was said that as United States fishermen were fishing with seine boats and were also using traps, the fish, which the acting minister had been told were out in this area, deteriorated, when they crossed into Canadian waters. Well, I could read affidavit after affidavit from men who have fished there for twenty-five or thirty years, to the effect that in all their experience over the past thirty years there was a greater catch of salmon from the area by gill nets. As to the question of quality, the waters of the Fraser river flow out many miles, and any one crossing either by boat or by aeroplane can see the line of demarcation where the salt water meets the fresh water of the Fraser river. The argument in regard to quality is an erroneous one. For instance, in 1934 the area was closed for two weeks and the supervisor informed the public and the fishermen that the fish at that time were not in a fit state to be canned; that they had so deteriorated. But then he allowed the area to be opened up again and fishing took place by both seine and gill nets and the fish caught were canned.

Mr. MICHAUD: Did he intimate that the closing for twelve days was on account of quality?

Mr. REID: If the closing of the area had anything to do with the question of quality he would not have allowed fishing two weeks after the fish had had time to deteriorate still more. I suggest to the minister that it is not always a question of locality; it is very often a question of time. I do not know whether the deputy minister has ever had the fish timed to see how long it takes them to come from the international boundary to the Fraser river. At any rate, the argument was that the seine boats should be allowed to catch the fish in this area, because, if the fish were allowed to come up they would be in such bad condition as to ruin the good name of our sockeye. And here I might point out the late run of sockeye is not exactly the same as the early, and the inspection act, in my opinion at any rate, was introduced primarily with the idea of allowing the seine boats to get into this area, because the canners argued that it was a question of quality and they wanted to take the fish early so as to get a first-class product; at least so they stated. When the canners in the United States can the same variety, the late run of sockeye, they market the fish not as sockeye salmon but as "reds," because the late run of sockeye has a red skin and the belly is white, being different from the early run of sockeye which made the name of Fraser river, British Columbia, famous. I say this in all seriousness to the minister: If notice is not taken of this the canners, by canning this late run of sockeye and labelling it and selling it in the markets of the world as No. 1 sockeye, will do more damage to the good name of sockeye than anything else I know of. I ask that he take particular note of this and investigate to see whether what I say is not correct, and also that the United States, in putting up the same fish, label it as "reds," not as sockeye.

Mr. BENNETT: Would section 98 apply?

Mr. REID: I do not know, of course, but I think section 98 would apply to some of the arguments put up by certain of the canners. They catch immature fish and destroy it, and I can support my assertions with numerous letters. I also have before me the argument advanced by the United States. In a letter which I received last year from the department of fisheries, Seattle, Washington, it is stated, "We have ruled purse seines out of the latter district and off the

coast of Washington within our jurisdiction to prevent the catching of immature fish." I cite that to show that United States interests have at last recognized that the seines are destructive in that they catch immature fish as well as all other varieties. As I pointed out, the size of the mesh is only three and one-quarter inches to begin with, and when pulled tight it is not over one and a half inches and becomes virtually a trap. I wonder whether any members of the house have seen the fish being taken from the seines. At one period last year they had so many fish, caught by seines, lying on the wharves, that when the canneryman got to the bottom of the seine, the flesh of the fish on the bottom fell away from the bones; they were as bad as that. Some say that fish caught by seines are of better quality than those caught by gill nets, but they are not. I am sorry that I have not an opportunity to develop that angle of the matter further, much as I would like to.

Mr. BENNETT: Is the purse seine used on the American side?

Mr. REID: Purse seines are used on the American side but not at the mouths of rivers. They have ruled them off the Columbia and other rivers. There is a conflict of opinion in the United States the same as we have in Canada, perhaps to a greater extent, in that there are state regulations and federal regulations which often come into conflict. But the state has ruled out seines from the mouths of rivers.

Mr. MICHAUD: From the mouth of the Fraser river?

Mr. REID: They do not fish at the mouth of the Fraser river. The minister means the Canadian seines? The American seines are barred by the boundary line, but Canadian seiners, when they had the chance, have seined right up into the Fraser river. As I mentioned in committee last year, three or four of them were caught right up in the river in shallow water.

When I introduced this to the committee last year I lost by one vote; eight voted against me while seven voted for the bill, and the chairman of that fisheries committee told me that had the vote been eight to eight he would have given his casting vote in my favour. I accept that in good faith; he told me that without my having to ask him about it. But I would point out that I lost out in the committee by only one vote. I stated when the matter came into the house, and I am going to state again, that the officials of the fisheries department gave misleading information, and have done right along, in regard to the salmon fisheries. I know that it is considered quite a crime to mention any official in this house, because the official is not here, but I mentioned the matter in front of him, and I contend that when there is anything wrong it is the right of the member to rise in his place and complain, so long as he is not vindictive in doing so. When he finds that wrong information has been supplied to the minister it is the member's duty, as I see it, to say so in this house. I repeat that departmental officials have certainly given misleading information right along.

I have not time to go into all the arguments used by the deputy minister last year, but I say that about twenty-five per cent of the statements which were made were open to disputation and at least fifteen per cent of them were entirely wrong, could not be proved. He said that fifty per cent of the seines were owned by the canneries. He did not say that ninety per cent were owned and controlled; he said that fifty per cent were owned. The information given me in British Columbia is that at least ninety per cent of the seines are controlled and owned by the canneries. He stated that the United States got most of the fish. Well, they may do so in some years, but, as I showed at that time, not in all years. He said that there were no purse seines permitted for sockeye. It is true that there were no purse seines for sockeye, but the canneries wish to have them, and in their briefs last year to the minister and to the committee they advocated the opening up of the area for them to fish when and how they liked. He stated that the dealers were reserving their best label for Canadian goods. I pointed out the racket that was played off last year, and I think is being played off this year: That canned fish had been inspected and classified as second quality; that, as our regulations required, another lid was put on the fish, and that fish was sold to customers who flicked off the first lid after the shipment left the shores of this country and sold the fish in their own markets as No. 1. Some firms had also the temerity to ask for a rebate for taking off those lids. Now they are compelled to put on a lid that is soldered in four points, and what do you think has happened? There are firms offering to take off the soldered lids at so much per case, without leaving any mark; they do it by heating, and the second lid drops off and leaves the can intact. That fish is going to Great Britain and entering into competition with what we believe is No. 1 fish. Then the deputy minister said that the United States could pay more because of their home market.

The United States pays far more to the fisherman for catching the fish then we do in British Columbia; yet they sell the product for one-half the price to the United States consumer. I produced in this house cans of fish bought here and also bought across the line at just half the price. When the canneries were paying the fishermen one cent for late-run sockeye the United States paid ten cents and took the fish across the line and canned them, and those fish, which were not acceptable to our canners, were canned across the line and, I suppose, will meet our fish in competition in world markets.

I say without fear of successful contradiction that the present fisheries set-up is opposed absolutely to the gill net fisherman. The slant it has on life is all for the canner and for the vested interests. I say that after at least six years' investigation. In the arguments presented before the committee not one good word was said by the deputy in favour of the gill net fishermen. Every word that was spoken was in favour of the canner and, as I say, of the vested interests. I realize that once the department takes a stand it has to adhere to it. It cannot very well back down. I am pleased that we have now a full-time minister. I ask him not to take too seriously all the statements made by his departmental officials until he has had time personally to go out to British Columbia and investigate for himself. When he does investigate, for heaven's sake let him leave some of his officials behind and go out with some of the fishermen, and he will get an entirely different picture, whereas if he goes out with his officials they will show him the things which they want to show him and which, of course, will bolster up the stand they have long adopted, against the gill net fisherman.

I have pointed out that the fisheries will be depleted by the seine going in. I have figures to show that the catch has decreased since they went in. White springs, red springs and other varieties have been dropping off since these mobile traps have gone in. If the mobile traps could catch the fish more cheaply or of better quality I would say that there might be something to it, but in these days when we are looking for work for men and when we are talking about machinery displacing men, why should we allow these mobile traps, controlled by the vested interests, to put two thousand fishermen out of business? It is no wonder that I feel very wrathy about this matter.

Now, Mr. Speaker, before I close, I have three, if not four very important matters to bring to the attention of hon. members, and particularly to the attention of the minister. I would like to have had my resolution in connection with the sockeye salmon treaty come before the house so that I could have dealt with this question more fully. I cannot go into this extensively to-night because I have not the time, but I would ask the minister to examine the map in connection with that sockeye treaty and see if he thinks his officials were right in laying out the boundaries. It is well known that south of the line the Columbia river contains all kinds of fish, and also that United States fishermen have caught fish out in the open sea in and out of season. But if the minister looks at the map he will see what poor information his officials must have had to O.K. a plan of that kind. We signed the treaty in 1930; it has not been signed by the United States yet. If they do sign it I hope the minister will not have departmental officials act as commissioners; I hope he will look after the fishermen and put on that commission someone who really knows and understands the fishing industry and who is really representative of the fishermen.

In connection with the late sockeye I have pointed out what I claim is the difference between the late and the early run. These sockeye are permitted to be canned and put on the market in competition with the No. 1 sockeye, and if this continues it will certainly ruin the valuable market we have built up for No. 1 sockeye.

Now I come to another matter. Last year I placed on the order paper a question which the then Prime Minister (Mr. Bennett) stated was a matter of first rate international concern. I refer to something that has taken place in connection with the Columbia river, which at one time was a great salmon river. In that connection may I point out that away back in 1846 there was signed between Great Britain and the United States, a treaty, one clause of which reads as follows:

> From the point at which the 49th parallel of north latitude shall be found to intersect the great northern branch of the Columbia river, the navigation of the said branch shall be free and open to the Hudson's Bay Company, and to all British subjects trading with the same, to the point where the said branch meets the main stream of the Columbia, and thence down the said main stream to the ocean, with free access into and through the said river or rivers; it being understood, that all the usual portages along the line thus described, shall in like manner be free and open.

In other words, Mr. Speaker, after 1846 the Columbia river, by treaty, was to be kept open for Canadian and British subjects, but during the past number of years the

United States have ignored that treaty entirely and have built large dams and other obstructions. One dam, I think, is some 370 feet in height, so that to-day there can be no portages. In addition this has affected the runs of fish in that river. I have in my hand the annual bulletin of the Department of Fisheries of the state of Washington, which says:

Practically all of the Columbia river watershed in eastern Washington has been drained of its fish life almost to the point of extermination because no support was given by the public to enforcing legislation already on the statute books.

We have the same situation on this side of the line; we have complacently stood by while the United States have openly violated this treaty. That clause in that treaty was of untold value to Canada; I do not know that I could state the amount in money that it was worth to the people of this country. Now that river is blocked. I appeal to the Minister of Fisheries and to the Prime Minister to take up this matter very seriously with the United States government. I do not know what can be done about it now, or what compensation we should demand, but I do know that if conditions had been reversed and we had done this, the United States would have made us pay heavily for blocking that river. A part of that treaty has been ignored, and no notice has been taken of it. As a quid pro quo I would suggest that we be given a small piece of land adjacent to Vancouver, a small neck of the woods called Point Roberts, which is United States territory at the present time. At times this has been more or less of a bootlegging centre, though in the summer time it is a great summer resort, and customs officials are maintained there. We who are acquainted with the district know exactly what is going on there. I say it would not be too much to ask that the United States transfer this small piece of territory to Canada in compensation for the violation of the treaty of 1846. No one can say just when that portage might have been of benefit to this country; no one can say when in future it might be desirable to use it, but now it is blocked, and I say it is too bad that no action has been taken by the Canadian government. As I said, I took up the matter last year and it was pointed out by the then Prime Minister that this was an international question.

In closing, Mr. Speaker, let me say that I am not asking for the total elimination of seines. I am asking that they be eliminated from the mouth of the Fraser river, where they were allowed to be placed in 1933 for the first time. They have other areas available, and when those areas are closed they can move to other areas such as Nos. 18, 19 and 20. The gill nets cannot go there because it is clear salt water and those of us who know anything at all about the fishing industry know that gill nets do not do so well where the water is clear, because the fish can see the nets and so avoid them. It is strange that in the regulations there should be indicated a maximum length and depth for gill nets, though when it comes to the seiner he can use a net of any length or depth he desires.

There is one more matter to which I should like to direct the attention of the minister, and that is with regard to the policy of his department in regard to propagating sport fish. I know that we want tourists to come to this country; I know they like our streams, but we have spent many thousands of dollars in the propagation of sport fish which, on investigation, have been found to prey upon the small salmon fry. In other words we have been spending money to develop a salmon fishing industry and at the same time we have been spending money to cultivate the enemies of the salmon fishing industry. Dolly Varden and other trout, from the mouths of rivers where the salmon fry were found, have been opened up, and some of them have been found to have as many as sixty-five small salmon fry inside them. That is not bad for one meal, I would say. If you multiply that by the number of sport fish in our salmon streams you will see that this means a great loss to our fisheries, and I would ask the minister to take note of this situation. Sport fish may be all very well in many rivers, but I claim that in the salmon river the government should take note of what these sport fish are doing in the way of eating up the small salmon fry.

Then, Mr. Speaker, I understand that out of the money appropriated this year the minister is going to spend a certain amount in an attempt to encourage, by way of advertising, the consumption of fish. It appears to me that the greatest obstacle to the consumption of fish in this country, especially throughout the prairies and in the eastern provinces, is the price due to cost of transportation, et cetera. Remember that fishermen get about a cent and a half for a whole fish and then look what one must pay for fish in the stores. If the minister would approach the railway companies or have some regulation by which fish would be hauled across the country at cheaper rates so as to allow the public to get it cheaper he would

do more to popularize fish than by simply having some woman stand in a store and show the housewife, who perhaps knows more about cooking than she does herself, how to fry fish. That to my mind will never popularize to any extent fish as a food. Advertising is all very well, but it seems to me that the most effective way to popularize fish would be to have railway rates and postal rates reduced so that there would be a ready market for cheaper fish both on the prairies and in the interior of British Columbia. It is scandalous that a fishermen can get only one and one-half cents for a fish weighing ten or fifteen pounds. I know that idea will not meet the views of the canners; no, they want everyone to eat canned fish. But we can ship our good canned salmon abroad, and I say again: If they want the people to eat the canned salmon they should at least sell it as cheap as the people across the line can purchase it. That they can well afford to do.

Now the seines will not be on this year; 1936 is the off year, but notice should be given now that they will not be allowed in 1937. The livelihood of two thousand fishermen is affected. Not only that, but the seines, just mobile traps, are the most destructive form of fishing, and if they are allowed to continue, their large catches, coupled with the fact that they take everything in the net, immature fish and all, will certainly deplete our great salmon fisheries. In support of that I can point to other areas off the British Columbia coast which have been depleted by the use of seines and have had to be closed down to allow the fish a chance to propagate again.

I say in all seriousness that the department is against the fishermen. I want the minister to investigate why in 1934 they allowed the seine boats in twelve hours before the gill net fishermen. Thirty-five mobile traps went into that school of fish; some of them ten thousand fish at a clip, and there were dumped on the cannery wharves so many fish that they could not be canned. And yet the department talk about quality.

I wonder if hon. members know the kind of letter sent out by the department. This is a paragraph from a letter that was sent to every canner; I leave it to hon. members if this is fair:

> I have been further requested to obtain from each cannery manager a communication setting out his opinion as to whether the seine caught fish were superior for canning purposes as compared to fish caught by means of gill nets—

A very leading question.

An hon. MEMBER: Who signed it?

Mr. REID: Mr. McLeod, supervisor acting under the chief supervisor at Vancouver acting under the deputy minister at Ottawa. A leading question, meaning: Yes, we want you to say the seine caught fish are the best. How could they say otherwise when ninety per cent of these mobile traps are owned and controlled by the canners? Then they send out this letter to bolster up the order in council passed in 1933 which allowed these traps into that area.

I hope the minister will take these remarks seriously; this is a very serious matter; I introduced the bill last year and lost by one vote, so this year I am looking for results.

Hon. J. E. MICHAUD (Minister of Fisheries): Mr. Speaker, the hon. member must at least be congratulated upon having been able to tack on to his remarks about four different subjects which have no relation to the bill itself. However I have very little time at my disposal, so let me state briefly the position of the department and the government in relation to the matter. I shall proceed by way of elimination.

To take the last statement first, that in his opinion the Department of Fisheries is antagonistic to the fishermen; this statement is not warranted by the facts and by the policy of the department for years past. I cannot and do not pretend to speak for my predecessors in office or to excuse whatever attitude or policy they may have adopted in reference to the matter of salmon fishing in British Columbia. However I may say in fairness to my predecessors, whom I have had the pleasure of knowing personally, that no sinister or ulterior motive actuated them in adopting the regulations of which my hon. friend complains. Since this bill was first introduced by the hon. member for New Westminster (Mr. Reid) I have made it my duty to look into the matter and to try to find out whether his attitude is justified.

As to his complaints relating to matters of international concern, such as the attitude this government or this country should take towards the United States of America regarding the Columbia river, and the line which was adopted by the contracting parties to the treaty of Washington, or the sockeye salmon treaty, which by the way I may say is in process of being revised or studied by both parties, these matters have no reference to the bill which is now under consideration, so for the present I shall eliminate any answer to these questions, which are intricate matters the reply to which might be far-reaching if I attempted at the present time to state the attitude of the government.

My hon. friend also tried to confuse the idea of quality or the policy of inspection with the regulations respecting seining at the mouth of the Fraser river. I find that the licensing of seiners in those waters came about as a consequence of the rules for inspection which were established in 1932 by the Department of Fisheries, and sanctioned by order in council of the government of the day. One matter which I want to explain, lest I should forget, is the complaint of my hon. friend about certain regulations of the department, especially one which he read, which has reference to the inspection of canned salmon when entering Canada. It is true that this regulation stands as it was read. But it is no new regulation, and it was adopted for a purpose. Practically all canned salmon that enters Canada comes through the Pacific coast, where in the United States practically all the salmon is canned. The regulation insists that salmon entering Canada from the United States should enter through entry ports in British Columbia, because it is only in that province that we have canned salmon inspection and inspectors. Inasmuch as most of the salmon enters Canada through the Pacific coast it is natural we should insist that it be inspected where we have inspectors.

As to the bill itself, it is in the nature of an injunction or prohibition. The hon. member seeks to have parliament prohibit the governor in council or the department exercising the function or prerogative which they have the duty to exercise under the existing law. The Fisheries Act provides that the governor in council on the recommendation of the minister may licence or sanction the mode of fishing, and these types of fishing have been accurately described by the hon. member.

Before 1933 the Department of Fisheries did not see fit to recommend to the government the approval of seine fishing in the waters lying at the mouth of the Fraser river in the gulf of Georgia, and in that year a regulation was adopted. Before stating the reasons which prompted the government to adopt the regulation I should like to take time to lay before the house certain facts and conditions which led the government of the day to determine upon the procedure of licensing that mode of fishing. It is true that prior to that year fishing with purse seines for salmon in those waters was not permitted. Hon. members coming from British Columbia know better than I do the conditions existing in the waters adjoining the province. For the information of hon. members who may not be familiar with the situation may I say that there are two kinds or two runs

[Mr. Michaud.]

of sockeye salmon in the waters in question. Although the fact may be well known to all members, I should like to repeat that the Fraser river sockeye salmon is admitted by all the world to be the best obtainable for canning. When I make this statement I refer to the early run of fish. The early run is of grade A quality, and is found in those waters in the early season of the year and until about August 20 or 25. May I add that there is no regulation permitting the catch of that first-class fish by the use of seines. No purse seine fishing is permitted before the late run of fish appears in those waters, and through some freak of nature the late run fish appear only in odd years.

The first run of fish of the late variety is what is known as pink salmon. It is a good quality fish, but is not equal in quality to the genuine, early Fraser river sockeye. Then there is the late run sockeye which the hon. member claims is not a true sockeye. On that point I will not argue, as I am not familiar enough with conditions either to dispute the fact or to prove the contrary. However it is recognized by the trade as being an inferior grade of sockeye. It is permissible at certain times of the year to catch the late run of sockeye by seine fishing. Generally, from August 25 until the middle or latter part of September this kind of fishing is permitted due to the fact that since 1933 inspection has been in force in British Columbia. Before that time it could not be permitted, because the salmon was packed and when packed was put on the market as Fraser river sockeye. This procedure tended to depreciate the value, quality and good name of our good quality fish on the world market. However, after the rules for inspection were adopted in British Columbia, the government said to the canners: It will be up to you; we have a means of deciding whether the fish you put on the market is good quality, second quality or an inferior grade, and if you choose to buy and can fish which will not grade properly it will be your misfortune, and you must suffer the consequences.

Purse seining was permitted because it was claimed—and the hon. member has not disputed the claim—that the fish caught in the cold waters immediately beyond the entrance to the mouth of the Fraser river, and just over the American border or boundary, is a good fish, of such quality that it can be put in cans, and when canned will appear as a good grade of fish to be placed on the market. That is the reason purse seining is allowed in those waters. The claim is made that gill net fishing cannot be done

as effectively as purse seining. Only a very small territory is in dispute, namely in the waters close to the imaginary line which forms the boundary between the United States and Canada, and the clear waters at the mouth of the Fraser river to which gill netters cannot resort.

We claim that if our fishermen can continue to catch late in August or early September fish of such quality or in such state that it can be packed satisfactorily, it would be in the interests of the fishermen to make the catch. By such permission they would be obtaining money which otherwise they would not receive. That is the reason why in 1933 purse seining was permitted. Had the department thought this method of fishing would injuriously affect the trade in fish, I am sure my predecessors in office, no matter to which party they may have belonged, would not have allowed that mode of fishing. After all it would be bound to reflect upon all fishermen or other people engaged in the trade. The regulation is not made for the benefit of the canners, directly, although it is true that they benefit by it. However, if they do benefit it is because the fishermen can catch the fish; the canner does not catch it.

The hon. member has tried to impute motives to officials of the department because they did not agree with him as to the ownership of seine boats. My reply is that departmental officials can only state facts. We know who own the seining boats by the number of people who are registered as owners. Perhaps the hon. member is in a better position than departmental officials to know who the controlling interests may be. I submit, however, that it is only a matter of surmise, and that it is not a certainty. Officials of the department may have found it impossible to establish exactly whether or not canners have controlling interests in boats registered under the names of other persons. When departmental officials state that only fifty per cent of the boats engaged in seine net fishing are owned by the fishermen themselves, the statement is made because the registrations have so indicated.

## SUPPLY

The house in committee of supply, Mr. Johnston (Lake Centre) in the chair.

### DEPARTMENT OF FISHERIES

The CHAIRMAN (Mr. Johnston, Lake Centre): When the committee rose at six o'clock we were discussing vote No. 314.

Other projects—to aid, in cooperation with provincial governments concerned, in reestablishment of needy fishermen, $300,000.

Mr. FINN: Mr. Chairman, when the committee rose at six o'clock I was speaking on the item to which you have just referred. During the dinner recess I had hoped to have an opportunity of discussing one or two matters with the Minister of Fisheries (Mr. Michaud), to which I made reference this afternoon, but unfortunately I had an engagement of an impelling nature, although not absolutely necessary, which prevented my interviewing the minister. This item has to do with the reestablishment of needy fishermen and in order that hon. members may deal intelligently with this matter, I think they should know what arrangements have been entered into with the provincial governments in connection with the item. Another important piece of information which we should have is how much the provincial governments are contributing towards the fund for the needy fishermen referred to in this item. If the Minister of Fisheries is desirous of replying to these questions, I am prepared to take my seat so that the committee may have this information.

Mr. MICHAUD: Go ahead.

Mr. FINN: The Minister of Fisheries tells me to go ahead, but sometimes it is pretty hard to go ahead when you have no fuel with which to travel. In this case the fuel is the information. I have absolutely no desire to embarrass the minister, but this information is necessary in order to discuss intelligently this item from the standpoint of the needy fishermen. I do not even know what provinces are included in these arrangements; I do not know whether they cover the fisheries of the great lakes or whether they apply only to the Atlantic coast, the St. Lawrence river and the far-away Pacific coast. If I had this information, with what I have here in connection with my own province I could make a sort of race track estimate of what the needy fishermen of Nova Scotia might expect to receive. Therefore I ask the minister to give this committee some information as an index of his policy, and, I assume, that of the government. Until I receive that it is impossible for me intelligently and adequately to discuss matters which concern the needy fishermen in my constituency and in the province of Nova Scotia.

Mr. MICHAUD: Mr. Chairman, in reply to the hon. member for Halifax (Mr. Finn) may I say that the agreements with the provinces concerned are not yet concluded although they are in process of negotiation. Naturally, the provinces concerned will be those over which the dominion government has jurisdiction in connection with fisheries

These will be Nova Scotia, New Brunswick, Prince Edward Island, British Columbia and those sections of Quebec over which we still have some jurisdiction. The $300,000 has not been finally apportioned because the distribution will depend upon the schemes and proposals to be submitted by the respective provinces. As this is a measure of emergency, it is intended to ask the provinces to contribute a share towards taking care of these people. After all, these people are citizens of the provinces and the provinces should contribute. They will be asked to contribute at least fifty per cent of the cost of administering such schemes or proposals for relief as they may submit to this department. If the proposals submitted are considered to be for the reestablishment of needy fishermen, we will contribute fifty per cent of what the provinces may deem it advisable to expend for such purposes.

Mr. FINN: As I understand the minister, he has no undertaking from any province that they are prepared to pay fifty per cent of the amount contributed by the federal government. Am I right?

Mr. MICHAUD: In some respects, yes. As yet there are no undertakings, but some of the provinces have signified their willingness to adopt certain schemes for the relief of needy fishermen, to which schemes the government will contribute. I understand that four of the provinces have signified their intention of going ahead and that within the next few days they will submit projects or schemes which are now in the course of preparation. The premier of British Columbia has signified his desire to avail himself of the privilege of sharing in the amount, and so have the premiers of New Brunswick and Nova Scotia. But the details of the proposal have not yet been submitted.

Mr. NEILL: I am not a bit surprised to hear from the minister that British Columbia, like the proverbial Scotchman, will take any given sum. But what are they going to do with it? I am entirely opposed to the idea of handing over to the provinces our control in this matter. Rightly or wrongly under confederation we are given the fisheries to run. We maintain what some people call an expensive, but at any rate an extensive, department from which we can obtain information and we ought to be in a position to know what is needed towards reestablishing fishermen. Instead of that we are going to hand this money over to people who have no official knowledge of the fishing business and who are to be asked, apparently in the space of a few days, to devise a scheme whereby this money is to be distributed—I might almost say dissipated. We have control of the fisheries; why not let us exercise that control? If we do not know how to do this, then certainly neither British Columbia nor Nova Scotia nor any other province can give us the necessary information. I certainly protest against that first part of the scheme.

I accept the minister's statement that several of the provinces are willing to take advantage of this. Who would refuse $50,000 to play with? But it is within my knowledge, as I think the leader of the opposition will remember, that some years ago in a certain province, which I will not mention, his agent made a distinct bargain with the authorities that they were to begin within a period of a few days to carry out certain relief work which would afford men employment for wages, and they were to undertake this on receipt of a loan amounting, if I remember rightly, to $100,000. There was an investigation and the evidence showed that the man who was acting in all good faith for the dominion government said, "I recommended this loan to the dominion government, and the money is now in the bank; when will you start work?" He was told that they had taken the money and used it to pay other debts. Is that liable to happen again?

Apart altogether from that, I would point out that this is a fisheries matter. We are dealing with fishermen and when it comes to the method of distribution, the question of deciding what shall be done, surely that should be under the control of the department. We have a department that can function, whereas the provincial government has at best only a superficial fisheries department. I wonder where the provincial government will get their information from. Let us look further into this matter. It is all left in the clouds. I am sorry the minister has been unable to indicate—he cannot indicate, because he is waiting for the province to take action—the form which will be adopted. Will this distribution take the form of handouts as was the case in Nova Scotia where they squandered the interest on $3,000,000 at the rate of so much per man in the fishing business, one man getting $8 and another $2.75? Surely it will not be along that line. I know it is a sore point with the hon. member for Gloucester, because they have been squandering that money in the maritimes for years. The records say so. The Cockfield-Brown report indicates that. And the predecessor of the hon. member for Cape Breton South said in the house last year

that there was no question the money was being dissipated in little dabs here and there. This is a subject in which the Nova Scotians take great interest and I bring it up every year. Are we going to approach the subject in that petty spirit, giving a little dab here and a little dab there to a man who owns a boat? Are we going to do what was suggested on a previous occasion—encourage more people to enter the fishing business? I do not think anyone wants that.

The minister used the right word when he spoke of reestablishing fishermen, because that would be confined to men who are already in the fishing business. We have now, as it is, a good many men in the business who cannot make an adequate living. What are we going to do? If we are not going to give small amounts here and there, presumably this is to be a gift; I should judge that from the language used. Well, if we are going to give them anything, are we going to give this man or that man an engine, and if so to whom will we give engines? To the unthrifty, those who have not been careful, those who have dissipated their money in ways they should not have done and who will now come and get engines from the government? If we are to do that we shall have to give every fisherman an engine and that will tend to pauperise the fishing industry—and they are not the class of people who lend themselves to being pauperised. But if you give an engine, or perhaps a boat, to the less provident ones, it is only natural for the other man to say: Well, I can do with an engine myself, or a net. If the alternative is that we are going to lend them the money, then all we have to do is to proceed along the line of an improved form of the fishermen's loan act passed last year.

In this regard I entirely agree with what was said this afternoon by the hon. member for Gloucester and the hon. member for Skeena in criticism of last year's act. The hon. member for Gloucester said that had he been here in the closing days of the session he would have criticized the measure along the lines he did this afternoon. But there were other members who were here, notably the then hon. member for Antigonish-Guysborough, the hon. member for Skeena and myself, and we all pointed out that $1,000 to equip a halibut boat was ridiculous; and more especially was there emphasis on the point made this afternoon that it was ridiculous to confine this to people owning real estate, because the average fisherman did not have any real estate or, if he did, it did not amount to anything. We pointed out that to confine this to men owning real estate was practically to make it prohibitive. The minister has the whole record under his hand, but so far as my neighbourhood is concerned I do not know of any fisherman who did qualify under the act. To make things worse, in case there should be a chance of his getting a loan, there is this application form to which I would refer the minister. I do not know whether it was issued by the late government or by this one. I suspect it was done by the present government, so that they can share the blame with the late government. One passed a bad act and the other made it worse. As regards property security, this is what the regulation says:

> The applicant must give the board a first mortgage on his real property for the amount of the loan obtained. The land which is offered as security for the loan must be owned and occupied by the applicant and consequently must possess adequate buildings for the purpose for which it is used, which must be covered by insurance....

And so forth. That was not in the act, but it was put into this regulation, and it is something that considerably restricts an already restrictive measure. Under the act he had to own the land; now he has to own it and occupy it, and to occupy it he must have a house on it. He may own in the city of Vancouver a lot worth a couple of hundred thousand dollars but he must occupy it. It must be insured and he must live on it. A fisherman live on a lot? Well, it says that he must occupy it. Who is to do the occupying when he is away in his boat? It means, I suppose, that he has to have a wife. Surely we have not come to making it compulsory for somebody to get married who does not want to. I do not know whether he could get away with his wife occupying the land, because the regulation says that the land which is offered must be owned and occupied by the applicant. You might as well tear the whole thing up if that is going to be the regulation. If the act were changed so that more than $1,000 could be borrowed, and that it could be borrowed on the security of a boat, and with a suitably short period if nets are being purchased, you would get somewhere.

Mr. VENIOT: On a policy of insurance.

Mr. NEILL: Yes, insured; you cannot insure the land. As the member for Gloucester says, they could come and seize the land.

The adoption of such a proposal would do a great deal to aid the bona fide fisherman. We would not be pauperizing him; we would be doing something for people who are will-

ing and able to help themselves; and I think it would assist in doing away with this idea that we have to give hand-outs to people, an idea which is abhorrent to the average decent fisherman of British Columbia and, I have no doubt, of the Atlantic coast also.

There are methods, which I would term of a general nature, by which we could help the men engaged in the industry to help themselves. I have before me a resolution which was passed by the Kyuquot Trollers Cooperative Association, a very useful, aggressive and thrifty organization that has built itself up, even in bad times, to a measure of success. The resolution, which is addressed to the Prime Minister (Mr. Mackenzie King), states that the salmon trollers are all independent fishermen owning and operating their own boats, ninety per cent of which are propelled by gasoline engines, and fifty per cent of the fish is marketed in the United States, a duty of a cent and a half a pound being paid thereon. American fishermen trolling on the same ground three miles from the Canadian shore enter their fish free and pay only half as much for their gasoline. I think I have heard it calculated that gasoline costs amounts to forty per cent or more of the expenses of a man trolling, because the boat has to be run at a slow rate of speed, and the fisherman has to go out ten, twenty, or thirty miles, and back again at night. It is calculated that the cost of gas and oil amounts to nearly fifty per cent of his running cost, so that his costs are double those of his competitor. The fishermen are asking the Prime Minister if he cannot do something towards reducing the high price of gasoline. A reduction would help them substantially, and help them all. The other point they touched upon was the duty of a cent and a half which they had to pay for entry to the United States, which is the market for that great class of their fish which they call springs. We know that the government in the reciprocity treaty with the United States obtained a reduction from two cents to one and a half cents a pound, but I notice a cut was made in the eastern provinces on some fish from two cents to one cent, and we in the west are disappointed, wondering why the reduction of fifty per cent was not made for our benefit at the same time. If that could be done it would help our fishing materially, because the United States is our market for that class of fish.

After all, what is the greatest aid we can give to the fisherman? Is it not a bountiful supply of fish and a good market? Grant him those things, and he does not need a hand-out. Grant him a plentiful supply of fish, and help to get a good market; he will do all the rest himself, and the government will not have to spend $300,000 on it, either.

There are a number of ways in which the fishermen can be helped. I am going to mention two or three. One is by the abolition of traps in the neighbourhood of south-eastern Vancouver island. I hold in my hand a letter from the department stating, as plain as language can be, that these licences would not be issued next year, and yet in Hansard on March 9 an answer was given by the same department to the hon. member for Victoria City (Mr. Plunkett), in which reply the very opposite was stated. We have been keeping these traps on, and the only excuse for years and years was that on the American side they had traps. Two years ago the Americans took their traps off—it was a gesture, and a big one—and they invited us to do the same. We have not done it. We have said: There is yet one year to go, and perhaps they will change. Now another year has gone by; we have this division between the departmental deputy on one hand and the Hansard report on the other, and we do not know whether the traps will be taken off and not permitted again. That is one measure which would be of practical benefit, because all who are familiar with the subject know that the traps are the most disastrous way to take fish. They are, as the word indicates, practically a trap for everything that comes along; big and small fish of all kind go in there and are destroyed. In destructive capacity they are next to the seines, which are also a very destructive method of fishing, and much for the same reason, because they take in big and little fish as well.

Then we have the question of cutting down the hair seals. Here again I have a petition that was got up by a meeting of trollers on the Pacific coast last December. They made some comment upon the increasing number of hair seals. I took the matter up with the department, and I was advised on December 10 that the hair seal bounty was discontinued in June, 1933, owing to the need of strict economy in public expenditures. That was three years ago. Times now are a little better, and it is to be hoped that we can do a little something towards replacing that bounty. There is no more idiotic method of handling a bounty on any predatory animal or fish than doing it intermittently. If you take it off for two or three years the predatory animal or fish has time to recover. We tried that in British Columbia with cougars and wolves, and as a

result there has been an enormous increase in the number of both those animals, because nobody is paid to hunt them. Indeed, instead of cutting down the bounty it should be increased, because it is more difficult to get them. I took the matter up with the department and the answer I got is this:

The department, however, is not in a position at the present time to say whether or not funds will be available for payment of the bounty next year.

That is entirely and thoroughly typical of the correspondence I have with the department. "A little sleep, a little slumber, a little folding of the hands to sleep." Do not do anything but write a nice polite letter. Why do they not write me, if they are not in a position to speak definitely: We will try to see if we cannot get the bounty; we will look into the matter; we will take it up with the minister. But no, the department is not in a position to say, nor have they yet been able to say, whether funds will be available for payment of the bounty next year.

Take the allied subject of sea-lions. I have before me a resolution passed by a meeting of fishermen. I will not read the preamble. They say that fifty per cent of the fishermen's catches are at times second grade owing to the fish being mutilated by sea-lions. Apparently they play with the fish. They will catch a salmon, toss it in the air and catch it as it comes down. While watching sea-lions playing among themselves I have seen them doing this. The resolution asks if something cannot be done towards cutting down the numbers of these sea-lions. It has been the custom for a number of years to send one of the official patrol boats to the rookeries and destroy the sea-lions once a year. The patrol boats make the trip up to the Virgin islands, I think they are called. These fishermen ask if that practice cannot be extended, as the good effect of the sea-lions being caught is confined to one locality. These fishermen asked if that practice, which at present only affects one place, could not be extended lower down on the Pacific coast, to a place called Solander island near Cape Cook. These islands have been seen swarming with these sea-lions, which have proved detrimental to fishing operations. I took up that question also, and after a good deal of correspondence the answer I received was that there was only enough money available to carry on the work at the Virgin rocks. I know that this work is done by one of the fishery patrol boats, the crew of which are paid all year. At that season they are simply cruising up and down the coast, and it would make hardly half a dollar's worth of difference whether they were cruising up and down under steam or whether they went to this particular island, landed a crew and killed a number of these sea-lions at their breeding grounds. But this is the answer I received:

Some time ago arrangements were made to have the situation fully canvassed in view of the increasing complaints as to the depredations of the sea-lions upon the catches and gear of fishermen.

As you are aware, the funds available to the department for measures to control sea-lions in recent years are confined to the expenditure involved in the annual expedition to the Virgin and Pearl rocks off the entrances to Rivers and Smith inlets by means of the Givenchy.

The Givenchy is going up and down the coast all the time on patrol work. How much would it cost to land on these other rocks, right on the route, and put in a day hunting these sea-lions? I would be willing to pay for the ammunition myself, if that was all that was standing in the way. But that was—what was the word used last year?—the laissez faire attitude of the department. Putting it into English, it means "let be," and no two words could better describe the policy of the department: Let be; leave eyerything alone; whatever is, is best; wait and see.

Then I took up another matter, not as an agitator wanting to make trouble for the department, but as a result of meetings of fishermen or as a result of petitions received from fishermen who found their means of livelihood materially interfered with. In this case it was a board of trade that brought up the matter, complaining of the number of blackfish in certain districts. They said that when the blackfish went up the gulf of Georgia it was impossible to catch salmon for two or three days afterwards; the tourists were disappointed and the tourist resorts lost customers, while the commercial fishermen lost trade also. I took up that matter with the department, from which I received a longish letter putting all sorts of obstacles in the way. In this case there was not one lion; there was a whole menagerie of lions in the way of having anything done. The department said:

Even to secure the carcasses of a few for the purpose of having an examination of the stomach contents made by bioligical officers would present some difficulty.... In the light of all the circumstances—

This is the summing up; this is the action for which a group of fishermen were waiting:

In the light of all the circumstances, it is proposed to see what arrangements are feasible for securing a few specimens, preferably from the Discovery Passage area in the vicinity of Campbell river, with a view to having the stomachs analyzed to definitely determine, if possible, the food they eat.

That letter is dated December 30, but do not think progress has not been made. I received another letter dated February 26 in which I was told:

As previously advised, consideration is being given—

Do not be faint hearted!

—to arrangements for securing a few specimens of blackfish with a view to having their stomach contents analyzed to definitely determine, if possible, the food they eat.

They will get about half a dozen of these blackfish and look into their stomachs. If they happen to find seaweed they will say that the fish live on seaweed. I remember that on one occasion a man examined the stomach of a sea-lion on the Pacific coast. He found seaweed in the stomach and reported that the sea-lions lived on seaweed. Rubber tires are widely used on the fishing boats for fenders. If he had found a piece of rubber tire in the stomach of the sea-lion I suppose he would have reported that they lived on rubber. Supposing they took one of us at an odd moment and examined his stomach, what would be found? It would be that particular food we had last eaten. Supposing they get a blackfish and find no salmon in the stomach. That will not prove anything except that for a short time previously that blackfish had not been eating salmon. Maybe he was on a diet or something like that. But the best that I have been able to obtain, after all the correspondence which appears on this file, is that consideration is being given the matter. I am told not that something is going to be done, simply that consideration is being given to arrangements. Well, that will not help the fishermen much. Take some of your $300,000 under this vote and use it to drive these blackfish out of the gulf of Georgia. This can be done; it was done before in connection with whales, and it will be of tremendous benefit to commercial fishermen and to those interested in the tourist business as well.

I made a reference to whales, and perhaps I might be allowed to explain what I meant. Some years ago it was thought that there was a large number of whales in what is called the gulf of Georgia, which is simply the water between Vancouver island and the mainland, and a group of men became interested. Without taking the trouble to investigate very deeply they built a whalery. Anyone passing from Vancouver island to the mainland would see a number of whales, and naturally they thought whales were present in large numbers. So they built the whalery and went to catch whales in the gulf of Georgia. They caught just nineteen whales, and they have not caught another one since. It just happened that the whales were there to that extent, and when they were killed no more came in, at least not for many years. Possibly if the blackfish were destroyed or hunted down in the same way the same result would be achieved.

Then there is another point. I have been saying that the department should take care of the fish, should attempt to produce greater numbers of fish for the fishermen. Perhaps this is out of order, but it is pertinent to the situation. The government have decided practically to abandon the use of hatcheries, on which we have spent something like $4,000,000 in the last few years. They have decided that this is not the best way to propagate fish. What is the alternative? It is to adopt the natural way, to stimulate, encourage and protect natural propagation. Does that not sound sensible? We should see that the fish get up the rivers or the creeks at the right time, and then we should protect them. We can help also by clearing out log jams and such things which prevent the fish from going up at the right time to spawn. There are certain areas where, under certain conditions, the fish go up in large numbers at what is called high water. They go up and spawn on the banks of the rivers or creeks above the height of normal water. The result is that when the water subsides they are left high and dry; the frost comes along and enormous quantities of the spawn are destroyed. That could be prevented by netting those areas—they are principally government properties, rough bush—in such a way that the fish could not get beyond the ordinary water limit, compelling them to spawn within the area where they would be covered by water. Sometimes enormous damage is occasioned by a condition of that kind. So I say that if we are going to do away with the hatcheries we should do everything possible to stimulate natural propagation. Are we doing this? We are not. If you look at the estimates you will find that we are cutting down on it.

There is another method of protecting the fish, and that is by preventing poaching. That is perhaps the best way of all. Human nature is human nature the world over; if I were a fisherman and the guardian was away and I knew he was away, I am afraid I would be tempted to go inside the limit, where with great ease I could make a haul that might run to forty thousand fish. My object in mentioning this is to plead for the expenditure of more rather than less money. The main estimates provide a cut of $183,000, but more money should be spent. Take it

out of this $300,000 if you will and protect the mouths of the creeks and rivers, where a limit is set. In some cases it is one-half mile; in other cases it is more, and there is a fisheries patrol man or guardian who is supposed to see that no fishing is done within those limits. Whether a man is called a fisheries patrol officer or a fisheries guardian depends on whether or not he has a boat. It is his business to be there and to see that no man poaches, gets inside that limit. If you do not head them off of course they will go in and take the fish. A man can go in and in three days take forty thousand fish, and then if he is caught, of which there is not much chance, because the guardians are not there owing to these economies, he will be fined $25, which as he has taken $200 worth of fish he can well afford. Have your guardians there and keep them there. If a man goes out killing deer out of season he may catch one deer, but with these huge seines at the mouth of a good sized creek or bigger stream, by making a couple of casts he will take ninety per cent of the whole school. And that means not the school for that year alone but the school that has been built up by perhaps five to ten years of guardianship. The guardian has been there year after year to see that the fish are not molested within this half mile area, because the fish hang around, ready to go up when the high water comes, and that is when the seiner comes along. The guardian has protected that water for five or ten years, and then from motives of economy, because it is easier to take guardians off the pay-roll than to reduce some of the overhead in the Vancouver office, the water is left open; the fishermen being human like the rest of us go in and make a kill, and it will take another five or ten years to build up the run again. A man going in with a gill net or troll will take only a few fish; it is like poaching a deer, but with these powerful seines and improved machinery that they have now, that can take 100 tons at a lick, the seiners can go in and clean up that run.

These are matters for which we might well use some of this money, if we cannot take it out of the ordinary fund. Let me quote a letter I received the other day. I will not give the name of the writer, and I will suppress the names he gives, or he might be a marked man:

> The greatest menace to the fishing industry from the fisherman's (troller's) point of view is the seemingly open and unchecked way the seine boats operate inside the boundaries. During the past twelve years all those streams from ..... to ..... have been cleaned out by seines. I think I am well within the mark when I say that for every thousand fish that went up these streams ten or twelve years ago to spawn there are only ten at present.
>
> From the seine boats' point of view it is good business to go inside the limits and take a chance. If he catches from $50 to $200 worth of fish the chances are he will get away, but he knows that if caught and taken to ..... he will only be fined $25.
>
> I took this up with....

He names two prominent fishery officials in British Columbia:

> ... only to be told that they could do nothing about it.
>
> Last year there were some 3,300 trollers' licences issued, and if the spawning beds are not protected there will not be any fish for them to catch in another ten years.
>
> As things are now, if the seine boats were forced to stay outside the limits from one-third to one-half of them would have to give up as they could not make it pay.

I remember hearing a seine boat operator saying once: If it were not for poaching we could not make a living.

Now I have under my hand a note of the proceedings of the British Columbia legislature of March 27. Apparently they have a standing committee on fisheries and they passed the following resolution:

> That in the interests of the propagation of salmon we recommend that the provincial department of fisheries—
>
> Which consists of two people.
>
> —ask the Department of Fisheries at Ottawa to have various small streams on spawning grounds cleared of fallen timber which now impedes the passage of salmon to same for the purpose of natural spawning.

So these men, gathered from all over British Columbia, are endorsing, without any solicitation on my behalf, the stand I am now taking. I suggest that this $300,000, or whatever portion of it may be allotted to us—and it should be a big half because we produce, I think, fifty-one per cent of the fish produced in Canada, so I suppose we shall be having $150,000 allotted to British Columbia—could be used and I hope it will be used, not in a senseless handing out of little dabs here and there, practically relief or worse, or even giving the fishermen presents of things they might appreciate, but in these practical methods which will build up a fishing industry so that they will have fish to catch and a market in which to sell it.

The next item on which I should like to say a few words when it comes up is No. 315, in connection with expanding the sale of fishery products. I shall have something to say on that. I may be putting myself in the position of attacking the department, but I am not attacking the minister, because he has not been in his present position long

enough to be responsible. I have this much confidence in him, that I would rather trust him than the British Columbia people to run the department, because he has the machinery, the experts to inform him what is needed. I hope he will keep the control in his own hands.

Mr. MICHAUD: I do not want to let the remarks of my hon. friend pass without giving some explanation and correcting possibly a false impression which he might have given to the committee and which might go out to the public. In the first place the department is not unmindful of its duty to administer and regulate the fisheries. That is a duty which has been imposed upon the department by the British North America Act and which has been confirmed by several decisions of the privy council. That duty the department, as far back as I have been able to trace its activities, has fairly well discharged, providing, as my hon. friend has suggested, the means of conserving the fisheries and thereby assuring to the fishermen an abundant source of supply. The department has also done its duty in trying to find markets for the products of those who avail themselves of the privilege of fishing in waters under the control of the dominion government.

As to the criticisms he made of the activities of the fisheries department, I regard most of them as being constructive, and shall certainly give them my best attention and consideration.

I must give some explanation that is due to my hon. friend regarding a letter, and the statement afterwards made in reply to an hon. member of this house, which my hon. friend claimed were contradictory. They are in some degree. Last fall the department had practically come to the conclusion that we should meet the request of the United States and stop trap fishing in certain waters off Vancouver island, near Victoria, I believe. It was a gentleman's agreement, arranged at the instance of the fishermen on both sides of the border. I believe the state of Washington, as a result of a plebiscite had already passed a regulation prohibiting trap fishing, and they were demanding that we prohibit it on our side. But later it was brought to my attention through our officials that there was a movement in the state of Washington to repeal that regulation, and the possibility that at the end of this year it would be repealed in response to public sentiment. There was such a protest from the hon. member for Victoria City (Mr. Plunkett) as well as the fishermen of that district that I thought that I would satisfy myself as to the conditions and circumstances before coming to any final conclusion and before making a binding rule which could not be readily repealed. That is the reason for the apparent contradiction. If I had been given a chance to meet these people and to hear their grievances, and then afterwards had found out that in the state in question the law was about to be repealed, I would have felt there would have been no use to penalize any people by enforcing a regulation for the short time pending that at which our neighbours in the United States reverted to another mode of fishing.



Mr. NEILL: The very fact that traps are not prohibited on this side is the strongest argument to enable those who want traps restored on the Washington side to put this over.

Mr. MICHAUD: There are many features to the proposition, and the intention of the department is to protect the best interests of Canadian fishermen in that part of the country. That is my reason for delaying the date at which the decision will become final.

The policy of killing hair seals was dispensed with a few years ago because it was costly, and it was felt that the benefit derived from the expenditure was not sufficient. Then whaling was not a government venture, but was that of a private enterprise. The government had nothing to do with the venture, so far as I am informed.

Unfortunately this year we have to dispense with some of the sockeye hatcheries. The biological board, which is the scientific branch of the department, carried on investigations from 1925 on to find out whether this undertaking was really worth the money we were spending, and the report which I have before me recommends that such hatcheries are not profitable, and that natural propagation is just as profitable and advantageous to the industry as is artificial propagation. We had to dispense with that expenditure; our expenditures had to be cut down in some way.

There are many angles to the subject of sport fishing. By the terms under which British Columbia entered confederation obligation was imposed upon the dominion with respect to fisheries, an obligation to some extent different from that in connection with the other provinces. I understand that for years past British Columbia has insisted upon the discharge of that obligation by the federal department. We have encouraged the hatching of sport fish, or trout, for dissemination in the waters. I am informed that these fish do not come into conflict with the salmon,

and that they are not distributed in salmon rivers. Special streams are selected for fly angling or sport fishing, and the trout are distributed there.

Mr. NEILL: The minister is quite wrong. I did not make any complaint about sport fishing. I was saying that certain bodies which make a practice of angling for salmon, as a sport, object to the presence of these blackfish. We want them curtailed, in order to increase the number of fish sought by tourists.

Mr. BENNETT: Steelheads.

Mr. NEILL: Tyhees and cohoes.

Mr. MICHAUD: However, this has been done with a view to discharging the obligation which it is claimed the dominion owes to the province of British Columbia.

There is another angle to my hon. friend's argument with which I cannot agree. I claim it is fallacious reasoning and argument.

My hon. friend began his dissertation with the proposition that the government is under the obligation of administering the fisheries, and that therefore it must discharge that obligation towards the fishermen. I submit that that contention is far-reaching. If we accept that as a proposition, then the Department of Fisheries has a right to look after all those who avail themselves of the privilege of fishing, and if we did that we would be going a long distance indeed. I contend that our jurisdiction over individuals comes into play only when they choose to exercise their right of availing themselves of the privilege of fishing. We have a right to regulate them in the use of a river.

It must not be forgotten that this special appropriation is not voted for the purpose of coming to the rescue or relief of fishermen, as such. It is to aid the provincial governments concerned in the reestablishment of needy fishermen, or fishermen who can no longer exercise their right to fish. I submit that the dominion government, as a federal government, has no obligation towards individuals in the provinces who are not exercising their right to fish. They become citizens, and the fact of their being fishermen is only incidental to their citizenship. They are subjects or wards, and the obligation to care for them when they are in need rests with the provinces or municipalities. This vote is an emergency one, or one to help the provinces to discharge their obligation towards individuals who no longer find it profitable to exercise their right to use the fisheries. That is why we have to cooperate with the provinces. We cannot dictate to provincial authorities as to what modes they shall adopt in the reestablishment measures they may take. It is up to the provinces to discharge their duty towards their people. It is felt, however, that in this time of crisis and as a matter of emergency and grace we should help the provinces to discharge the financial obligations which they claim they cannot discharge by themselves.

The problem is complex, and does not present itself in the same form in all parts of the province. For example, in the county of Gloucester last year there were over five hundred boat fishermen and over two hundred vessels fishermen, or those who take out licences. These are deep sea fishermen. Through the results of the depression the markets for certain types of fish have been lost with the result that while for generations these men have been fishing they can no longer exercise that occupation. They have to be transferred to some other calling in order to earn their living and maintain their dependents.

Mr. BENNETT: Did the hon. member refer to Charlotte?

Mr. MICHAUD: No, I referred to Gloucester county, but my observations apply to part of Charlotte. Some people at the mouth of the Miramichi find it profitable to do lobster fishing. This occupies only part of their time, and those engaged in lobster fishing work in the lumber camps in the winter time, to make up the amount necessary to support themselves and their dependents. The fishermen in Gloucester county and in Westmorland county could not be treated alike. The problem in the western part of Nova Scotia is different from the problem in the eastern part. These are matters of local concern. These people must be readjusted in life in order to be given some gainful occupation. I claim that this problem rests upon the provinces or the municipalities, but they claim they are not financially able to discharge this obligation. This is the reason why an appropriation of $300,000 is being made under the Department of Fisheries. It could have been placed just as well under the jurisdiction of any other department. I submit that we cannot assume jurisdiction over those individuals who give only part of their time to fishing.

There is another class of men who are all-time fishermen. That is the class entitled to relief under this vote. We submit that these people cannot be taken away from the industry; that some means must be adopted of keeping them in the industry and enabling them to make a profit therein. I accept the

suggestion made in the latter part of the hon. member's remarks as constructive criticism. By implementing what he has suggested we shall go a long way towards helping the permanent fishermen who must remain in the industry, who cannot be readjusted or re-established in other means of livelihood.

It was suggested that we should keep control, but I think it would be impossible for the Department of Fisheries at Ottawa to look after all these people. They are spread all the way from British Columbia to Nova Scotia and New Brunswick. As I said a few moments ago, even the people in different parts of the same province require different treatment. As is well known, during the past five years the provinces have set up machinery to take care of these people in some way or another. We contend that this is a matter of provincial or municipal concern and we are ready to vote this amount of money to assist the provinces to take care of these people.

Mr. FINN: Mr. Chairman, it seems to me that we have gone far afield to-night in discussing this particular vote when reference is made to whales on the Pacific coast. We are dealing with a vote of $300,000 for the needy fishermen in Canada. This vote is to apply to the fishermen in Nova Scotia, New Brunswick, Prince Edward Island, on the St Lawrence river and in British Columbia. This afternoon I was unable to obtain certain information. The Minister of Fisheries (Mr. Michaud) tells the committee to-night that this $300,000 is not for fishermen at all; that it is for those who cannot fish any more, who cannot go out in their boats to set their nets. I was under the impression that this vote was for the fishermen who could not make a living because of low prices, who found it impossible to keep their gear because of a hard winter. I thought this vote was to assist them in the way of extra relief, but the minister says that this money is to be used for those fishermen who cannot fish any longer. These people should be looked after under the pension schemes in the various provinces, towards which schemes the parliament of Canada votes seventy-five per cent of the cost.

Under section 91 of the British North America Act the sea-coast and inland fisheries are under the control of the federal government. Someone said this afternoon that this would be administered under the Relief Act of 1935, but that cannot be as the last section of that act states that it shall expire on March 31, 1936. It has expired already. Surely hon. members who represent fishing constituencies have a right to certain information in order that they may intelligently express their opinions on this vote. They should be told how it is to be administered and whether the money is to be handed over to the provinces. I contend that the administration of this $300,000 could be undertaken by the dominion department much better than it could be by the provinces. In my province we have an inspector of fisheries, Mr. Sutherland, who is fair and honourable. This gentleman does not belong to the same political party to which I belong, but he has proven to be a competent inspector and he knows more about these matters than anyone in the provincial government of Nova Scotia from the Premier, the Hon. Angus L. Macdonald, down to the Minister of Health, the Hon. F. R. Davis.

I conceive it to be my duty to try to find out where this money is to go, to try to see that no one is helped who should not be helped. I want to find out whether it is to go to those who cannot go out to fish or to those who cannot make a profit from fishing. The item reads:

To aid, in cooperation with provincial governments concerned, in reestablishment of needy fishermen.

Reestablishment means to go back into the industry; it does not refer to fishermen who are too old to fish. I contend that when this vote is distributed it should not be distributed to those who have retired, who are in the sere and yellow of life and who can fish no more. The minister may smile, but I want to say that the very wording of this vote shows that it is to aid in the reestablishment of fishermen who are unable to fish to-day because they have lost their gear. In many cases they have lost their boats and some have lost even their lives.

This afternoon I referred to losses suffered by the fishermen. I have under my hand now certain newspaper reports which I had not then, and I think it is only right to read them:

Fishermen's Nets Swept Out To Sea
Lunenburg county lad, of family of 13, loses life

Storms and gales which have been lashing Nova Scotia bringing the loss of six lives, have claimed still another. Robert Cleversey, 18, son of Mr. and Mrs. Moore Cleversey, Conquerall Bank, one of a family of 13, set out in a leaking dory Tuesday morning. He has not been seen since.

Added to the cost of lives was the mounting toll of property damage. Lobster fishermen of River John yesterday saw their traps, 1,500, swept into the seas and lost as the highest tides in twenty years whipped up by a raging gale robbed them to the extent of more than $2,500.

Fishing gear followed the traps into the water as the tide washed over the tops of the wharves in the tiny Pictou county village on

the shores of Northumberland strait. Crib work around the steel bridge and along the bank of the river which runs through the village was smashed and carried along by the pent up flood tides. The water flowed over the main highway for a half-mile.

That is one statement. This is another—they are both in the present month of April. This dispatch is from the Magdalen islands:

Six Are Taken By Sea
Drown in sight of safety in Magdalens harbour; one of group saved

Grindstone, Magdalen islands, April 17.—Six Magdalen island fishermen were swept to their death to-day in mountainous seas at the mouth of Grand Entry harbour, just as they were in sight of safety after a herculean effort to reach shore following a treacheous eight-mile journey from Old Harry head.

Five little children, five wives, and six families were in deep sorrow to-night as the news came that six were drowned. A seventh, found clinging to the boat and in a semi-conscious condition was saved.

I say this to the Minister of Fisheries in all sincerity: A man leaves his home in an open boat, plying his trade, namely, fishing; he cannot get his traps insured; he cannot get his life insured, and for the fish which he does catch he receives only a couple of cents a pound, whereas the retailer in the store sells that same fish at fifteen or sixteen cents a pound. Has the Department of Fisheries no obligation, no duty, to such fishermen? Is there no recourse left to those engaged in that great industry? In the little province of Nova Scotia the following numbers are engaged in industry: In coal there are 12,000, and nothing is being asked for them; in steel there are 3,000; in lumbering, 800; and in fishing, 16,000 people. I ask to-night in all seriousness: Is the government not going to deal with this question on the recommendation of the Minister of Fisheries and the experts in his department? Is it going to allow these men to starve in their homes, their children compelled to stay in bed to keep warm, having no boots to wear to go to school? That is the condition in the western part of Halifax county from Sambro down to Hubbard and from Thrum Cap down to Ecum Secum a distance of 115 miles east and forty-five miles west. The minister laughs. Does he laugh at death? I ask that question and I mean it. The whole of Canada, the whole of America, practically the whole world stood aghast because three gentlemen who were seeking gold at Moose river in Halifax county in my own constituency were caught in a mine, and everything was done that could possibly be done to save them. I am not complaining; I am glad that it was done, and prior to to-night some $32,000 has been raised to give to the miners concerned who to-morrow can go back to work. But there is nothing for the children of those who have lost their lives in plying their trade, not in seeking gold but only in seeking a living.

We have reached a stage in Canada where we must recognize facts. We must forget some things while other things we must remember. The Minister of Agriculture (Mr. Gardiner) this afternoon put through estimates amounting to $1,250,000, to take people off land that was not profitable and to transplant them somewhere else, to give them seed and to provide for them. The Minister of Fisheries may laugh again, but is that all he will have to say to the fishermen of New Brunswick, the province he has the honour to represent, and to the people of Nova Scotia? I have represented a constituency for twenty years, and I have held the confidence of the people because I have never betrayed my trust but have always tried to be true to the people and to my party and to be fair to my political opponents.

Let me say this further to the Minister of Fisheries. I appreciate the fact that it is only a short time ago since he took over the department, and he has displayed skill and a desire, by hard work and keen intelligence, to become acquainted with every subdepartment over which he presides. But I say that when we have certain votes put through this committee it is only fair that we should express our opinion, and I hope the minister will not regard what I am saying as criticism; I am saying it only because I wish to see a deserving class of people helped.

I may tell the minister that 90,000,000 pounds of fish are caught along the coast of Nova Scotia annually. Of that, forty million pounds is caught by trawlers, fifty million pounds by the shore fishermen; but seventy-six million pounds of that ninety million pounds are sold, not by the fishermen but by the large wholesaler who receives the difference, or a large percentage of it, between two cents a pound for fresh fish and the fourteen, fifteen and sixteen cents that the retailer pays for it. As I think I said in the committee this afternoon—and if I did not I intended to say it, and if I said it I will say it over again—in the west, in Winnipeg, you have your grain board—and I have no objections to that—you have your grain exchange which deal in futures, which are the same as a brokerage establishment in Wall street or St. James street, and if they do not pay for what they buy there are clauses in the criminal code to deal with the situation. Whether they pay at the time they purchase or buy on margin is not for me to say. But the grain board of which, under the govern-

ment of my right hon. friend the leader of the opposition, Mr. McFarland was chairman, and which to-day is under the chairmanship of Mr. Murray, I understand fixes the price of wheat. To-day that wheat is fixed at 87½ cents, but it is bringing only eighty-one cents, and the federal treasury pays the difference between the two amounts. If that is so—and it is not suggested that my statement is incorrect—why cannot the government, upon recommendation of the Minister of Fisheries, adopt some means whereby the fisherman who catches the fish, and risks his life in so doing, shall get a fair price, while the middleman is pulled out, or if he stays in, gets his honest price, and the people who purchase the fish pay a reasonable price for it?

I do not care which horn of the dilemma the Minister of Fisheries decides to select and recommend to the government. But I do say that if in this, the first session of the Liberal administration, when the high hopes of the people of Canada were raised to a pinnacle almost above the stars that scintillate in the heavens, those who are charged with the administration of these matters have nothing concrete to offer to the fisherman, there is something lacking. Thank God I am big enough and broad enough, although I may be censured for expressing the opinion, to say that if some things continue as they are I shall not restrain myself as much as I have done to-night, but I shall say some things that are wholesome and true and will make some hon. gentlemen think of their responsibility to the class of people of whom I have spoken. I say that this government, including the Minister of Fisheries, should not hand over this $300,000 to the provincial governments, because fisheries is a federal matter. If the provincial governments are going to contribute; if they wish to distribute that money themselves, that is their business, not the business of this committee. I sat in the legislature of Nova Scotia for seventeen years. In those days we were not looking for subventions or assistance except what was our right.

But now the scene is changed, and conditions in Canada in many respects are appalling. This is due, not to any government nor to the situation created by any government, but solely to the fact that the world has lost its head. Napoleon thought he could rule Europe because he had armies and military genius, but when, having arrived at the lonely isle of St. Helena, he wrote his memoirs, what did he say? "There is only one thing that can rule the world, and that is sentiment." In this house we cannot deal too largely in that great attribute, which means so much in the country, because we are dealing with public money. But surely there should be a proper measure of sentiment in a government. I am sure there is, and it is only necessary to awaken that fine conscience which I believe they have, and of which I believe the hon. leader of the opposition and those sitting about him are also not bereft. I think there is a fine possibility in that regard, due to the tide of change which affects people who sit in opposition. When Sir Wilfrid Laurier went into opposition in 1911 and Sir Robert Borden took his place as Prime Minister of Canada, Sir Wilfrid said, in that lovely way of his, "Mr. Speaker, my right hon. friend the Prime Minister sits where I used to sit and I sit where he used to sit. Let him feel when he engages himself in these great public questions of the future that he may remain there longer than he thinks." Although the right hon. leader of the opposition is not saying so, he may be thinking of that. Perhaps it is because I am a bit of a mind-reader that I am making that particular reference.

Mr. STIRLING: To come down to earth for a moment. When I first read this wording, "To aid, in cooperation with provincial governments concerned, in reestablishment of needy fishermen," two practical questions occurred to me. How will the needy fishermen be selected, and how will they be assisted? But particularly, how will they be selected?

Mr. MICHAUD: By provincial governments.

Mr. STIRLING: And how assisted?

Mr. MICHAUD: To the extent of whatever assistance the provincial governments will decide to give them. And when they make that decision, we contribute fifty per cent.

Mr. ROSS (St. Paul's): There are many needy fishermen in Ontario. Ontario catches a great deal of fish. I was wondering whether it was proposed that some of this money should be allocated to Ontario to help needy fishermen in this province.

Mr. MICHAUD: I am afraid not on this vote. We realize that there are fishermen in need in Ontario as well as in other inland provinces, but we have no jurisdiction over the fisheries of those provinces, and no information as to the need of those who occasionally avail themselves of the privilege of fishing. We feel that this is a matter of provincial concern. We simply try to help

those who have been reported to the federal Department of Fisheries as being in need of assistance.

Mr MacINNIS: This is not a very large sum of money, and we know there are many needy fishermen in all the provinces in which there are fisheries. As far as I am concerned I would have no objection to the expenditure of this and perhaps a much greater amount, provided of course that I knew the way in which it was to be expended. Unfortunately, however, the minister is not able to give us anything definite to-night as to who will receive this money, what is to determine the question of need, how the money is going to be paid out and what provisions are to be made for its productive or helpful expenditure. We have nothing definite in the matter at all; in fact I think the only definite point that came out during the discussion this evening was that the hon. member for Comox-Alberni and the hon. member for Halifax now do not believe in one of the slogans so prominently displayed during the election. I refer to that slogan which so many of us saw on the billboards: Vote King and Get Action.

Some hon. MEMBERS: Hear, hear.

Mr. MacINNIS: We are hardly getting action in connection with this item. I notice that quite a number of my friends agree with me. They will agree still more as time goes on.

I should like to make a constructive suggestion to the minister with regard to the expenditure of this money. I believe that no matter what governments may be in office both here and in the provinces during the years to come they will find themselves more and more driven into the position of having to give a helping hand to those engaged in the industrial life of the country. For that reason I believe that before moneys are voted some constructive plan over a period of years should be worked out. I do not believe that you can work out a plan by dealing with individuals. I am going to suggest to the minister that he might assist needy fishermen by helping them cooperate in the fishing industry. I have a good deal of information on the considerable progress that has been made in the province of Nova Scotia in organizing the fishermen into co-operative organizations. Before the minister pays out this money I would suggest that he get into touch with these organizations and try to secure some advice from them as to how this money should be expended. I say that it is going to be only a waste of money if this sum is to be given out in a dribble here and a dribble there, without any constructive program in mind. I am not criticizing the minister as regards the amount, but I should like to see him come forward with a plan. So I make this suggestion in the hope that it may help him in expending this money to the best advantage.

Mr. BENNETT: I only want to make this observation, Mr. Chairman: In days gone by a great deal of complaint was made with regard to the neglect of fishermen who were in need of relief. There are fisheries in New Brunswick, Nova Scotia, Quebec, Ontario on the inland lakes, in Manitoba on lake Winnipeg and other inland waters. I am not sure about Saskatchewan, but certainly there are fisheries in Alberta and British Columbia. As this item now stands needy fishermen in every part of Canada are covered by it, and as it appears in this special estimate it constitutes a cheque for $300,000, not a blank cheque for an unnamed amount but a cheque for a named amount the distribution and division of which are left entirely to the caprice or the discretion, whichever word may be preferred, of the government of the day or those advising them.

I cannot but think that if you leave the administration to the provinces you will introduce an element of great difficulty. On the other hand I can readily understand the minister taking the view that he is not in a position to handle the entire administration of this amount. Nevertheless, as he answered the questions of my hon. friend from Yale I gathered that he said there was at present an arrangement by which the provinces contribute fifty per cent and the dominion fifty per cent in cases that come within the provisions of the item. Is my understanding correct?

Mr. MICHAUD: There is going to be an agreement whereby the money will be allocated to the provinces.

Mr. BENNETT: That creates a really difficult situation, as we have found by experience. I dare say the Minister of Labour (Mr. Rogers) might give my hon. friend some information on that point, having regard to what the experience has been. When you select a given number of people in a community as being the persons entitled to relief and then provide that the province shall pay fifty per cent of the cost and the dominion the other fifty per cent, who is going to administer the matter? The provinces? To the extent of fifty per cent of the cost they have no interest in the matter beyond

spending the money. They are not concerned in any way about the fitness or otherwise of the recipient or as to whether he comes within the qualifications. One of the difficulties we experienced in more than one province arose out of that very fact. They were always devising ways and means whereby their fifty per cent never amounted to fifty per cent of the whole and our fifty per cent always amounted to something more than fifty per cent of the whole. The conclusion at which I arrived was that when you begin to deal with a needy individual, because you must bring this down to the unit, and when somebody recommends to the department that we make a payment of fifty per cent because the province is going to pay fifty per cent, to relieve that condition, you find that you have undertaken an almost impossible task and one which, in my judgment, is almost impossible of being effectively discharged.

The last report made by the director of unemployment relief contains striking illustrations of the difficutlies experienced by the auditor general in tracing up some of the amounts. If you merely make a flat vote then the objection made by the Prime Minister (Mr. Mackenzie King) to the action which we took in 1930 becomes apparent at once. I said then that if we give a province a certain sum of money—for the sake of example we will say $1,000—and they give us a receipt for it, we are not concerned about the audit of the expenditure. The provincial legislators must call their government to task for the method by which that amount has been expended. But if on the other hand we undertake to pay a certain proportion of a given expenditure we are vitally interested in knowing that the expenditure has been correctly stated. The difficulty which is now quite apparent from the report of Mr. Hereford is that the auditor general is not able to satisfy himself that in paying a given sum of money we are paying our share of a proper and legitimate expenditure.

That difficulty, I think, becomes reasonably apparent in this case. When the designated and defined fund has been expended, are we to have any supervision or control with respect to it or are we, willynilly, to accept the ipse dixit of the provinces and be done with the matter? That is the real problem which confronts us, and I can only say that it is my duty to point out to the minister that our experience, whatever it may be worth, would not induce us to believe that this is a proper course to pursue. The reasons are those which I am sure those who have taken the trouble to read the last report of the director will realize have really become the origin of the complaints which have been made by one of the provinces that they are not getting their share of what they are entitled to receive because the auditor general can neither satisfy himself as to the expenditures nor obtain the necessary vouchers. Now $300,000 divided among the needy fishermen of this country would not go very far, if you include all of them. I do not know whether the chamber realized the point, but I was amazed when the hon. member for New Westminster pointed out to-night that there are 82,000 people directly and indirectly engaged in the fishing industry in British Columbia, which really means that one-ninth of the population of that province is thus concerned.

Mr. MICHAUD: That is the total in Canada.

Mr. BENNETT: I thought he must be wrong. He put it, I thought, at 82,000 in British Columbia, which struck me as being extraordinary. But if it is the whole of Canada the situation is different. There are 16,000 in Nova Scotia. I know more than half of 82,000 are in the maritime provinces, but I could not think there were as many as that in British Columbia. However, say we have, roughly 85,000. We have had evidence that on the Lunenburg coast in Nova Scotia, and on the north shore of New Brunswick, owing to inability to sell fish to Italy and in the West Indies during recent years, there has been a steady diminution of employment of deep sea fishermen, and it is those I understand that the minister has in mind to reestablish. If we are going to talk about reestablishment with federal money, that must be done under the control of this parliament, not under the control of someone else, because if we are going to pay the piper we should call the tune. If we mean reestablishment in that sense I think the minister himself must accept responsibility for carrying on that work. If it is merely a question of relief then I understand the attitude which he has taken with respect to the expenditure, but I can only point out that I think he will find that he will have to make more definite provisions than those he has yet suggested if he is going to avoid the pitfalls pointed out by the director of relief in dealing with that problem. I only hope that in his distribution of the largesse of which he has now been made the custodian he will use that measure of discretion which should characterize a minister seized with a sense of

his responsibility, notwithstanding what the hon. junior member for Halifax (Mr. Finn) has said.

It is highly edifying and interesting to hear the expressions of opinion made by a supporter of the administration regarding a new minister who has discharged his duties for only a few months. We can only wonder what the harvest will be for a longer period of time, as illustrated by the views taken by that independent member who sits to my right, but who always manages somehow to have the goodwill, shall I say, of the government at particular times when this is very useful. It appeared that the letters asked about were dated not December, 1934, as some had hoped they would be, but December, 1935, and February of the present year, which was somewhat of a shock to some of our friends who had expected that out of a sense of deep and abiding gratitude the hon. member for Comox-Alberni (Mr. Neill), to say nothing of the junior member for Halifax, would join together and make this attack upon the minister. This is at least interesting to us all and affords an opportunity to understand that, after all, there is beginning to be a realization on the part of the government that the administration in the days of stress and difficulty was not just as easy as it seemed to be when they were sitting on this side of the house. Responsibility has brought home to them a realization that it is much easier to sit to the left of the Speaker and to criticize than, sitting to his right, to provide the sinews of war on the one hand and the administration on the other.

Mr. FINN: I would like to correct a statement made by the right hon. leader of the opposition. He seems to be doing what I thought he would not do, that is grasping at a political straw. I made no criticism whatever of the hon. minister or of officials. I pointed out to the minister that I thought it was the duty of the department, himself and his officials, to look into this matter from every angle. I am not going to permit the leader of the opposition to put into my mouth his political words; I used my own, and Hansard will show them, and I would ask the right hon. gentleman to take that statement back.

Mr. BENNETT: Far be it from me to endeavour in my poor way to improve upon the elegant diction of the hon. gentleman. If I misconceived his observations as being criticism instead of commendation, then it may be that my understanding of the words "criticism" and "commendation" is not quite that of the hon. gentleman. If I have done violence to his feelings or in any sense misunderstood him I can only say that it arises from the fact that I would have concluded that his observations constituted criticism and not commendation. Apparently I should have said that when I contemplate the commendation of the hon. junior member for Halifax of the activities of the Minister of Fisheries I am at a loss to understand what he would regard as criticism.

Mr. KINLEY: From the observations of the minister I take it that it is his intention to contribute on a fifty-fifty basis with the provinces; that if a province would contribute fifty per cent he would give fifty per cent of this fund to that province where needy fishermen are concerned. May I ask the minister what he is going to do in case a province does not provide anything as its part of the contribution?

Mr. MICHAUD: It cannot share in the fund.

Mr. KINLEY: Therefore so far as this vote is concerned a province that does not cooperate and contribute cannot share in this fund.

The next item of course is not up for discussion. Something will depend upon that. The minister said a moment ago that this fund was intended to help fishermen who fish only part of the year; that there are fishermen who fish all the year round who would not share in this fund. That is a serious statement as far as I am concerned, because my fishermen fish all the year round, but nevertheless they find it difficult to make a living. If the fishermen who fish all the year round cannot share in this fund it is a serious matter for the fishermen in my constituency. Has the minister any observations to make in that regard? Will they come under the next item?

Mr. MICHAUD: Indirectly they will, certainly.

Mr. KINLEY: In his genial way the hon. member for Comox-Alberni (Mr. Neill) severely criticized the officials of the Department of Fisheries. Although I have been connected with public affairs for many years, this is my first adventure in the House of Commons and so far as my constituency is concerned the fisheries officers are the officers who came to me when I was elected. By and large I consider them good officials. They are alert and I believe they are faithful in trying to do their work. I believe the same is true of the officers at Ottawa. I believe I can pick out a drone when I see one, and

I must say that while I have been round these offices quite a bit it is my belief that the officers of the department are trying to do their best. We must remember, however, that the Department of Fisheries is one dealing with prohibitions and regulations. How can we expect a department dealing with such matters to be popular with members of the House of Commons or with the people of Canada? The only money the Department of Fisheries ever had under its control was to be used for purposes of prohibiting something. There was nothing to sustain or develop fisheries. The Department of Fisheries is the Cinderella of the government, and it has been the Cinderella for many years. I think it is unfair to criticize unduly the officers of the department, and the only criticism I would make is that they should have been more aggressive with the treasury board, and should have seen to it that more money was voted for the development of fisheries in Canada.

In my province two kinds of fisheries are affected. My difficulty is not the same as that of the hon. members from British Columbia, because we have both fresh and salt fishing. The fresh fishing industry depends to a great degree upon the home market, while salt fishing depends upon the foreign market. In connection with our fresh fishing we are practically free of competition with the exception of that offered by Newfoundland at some periods of the year. We at least have the Canadian market for our fresh fish, and may I add at this point that the amount of fresh fish marketed in Canada has increased in the last five years.

According to the report of the price spreads commission 1929 was a big year in the fish industry, whereas 1932 and 1933 were small years. Since that time the fresh fish industry has been growing in Nova Scotia and in the maritime provinces generally. Notwithstanding that fact, however, the fishermen cannot make a living. From the price spreads commission report we find that our fishermen earn from $75 to $300 per year. When I come to this House of Commons and hear hon. members talk about sustaining people on relief at $40 per month I have to smile, because our fishermen would live in comfort on $600 a year.

Why is it that our fishermen are not earning enough to keep body and soul together? The report of the price spreads commission tells the story. The reason is that the fisherman has lost his bargaining power. He must take what is offered him for his fish, and he is not able to have any say in what price the product of his toil shall bring. Why is that so? One reason—and the minister knows it—is the steam trawler. We know that the steam trawler makes the corporation a primary producer. The trawler operator is put into the position where he can dictate prices to the fishermen of Canada. With his steam trawler he says in effect to the fishermen: "You will take what I want to give. If not, I have a steam trawler coming in to-morrow which will supply my requirements." To-night I am not going to discuss at length questions in connection with the steam trawler, but at some future time I shall do so.

If hon. members from other parts of Canada think we are against progress, then let them be at once undeceived, because the steam trawler people by their own figures admit that it costs them from one and a half cents to one and three-quarter cents to land a pound of fish. I have in my hand invoices from the National Fish Company at Halifax indicating that they paid one cent a pound on the average to a Nova Scotia fishing vessel for a trip before Christmas of this year. These men are working seventy hours at a stretch, are earning less than $8 a week and have families to support.

Parliament has spoken on the steam trawler question. The Maclean commission spoke on it and recommended against it. You may say, "Kinley, you are parochial in your viewpoint." That has been thrown in my face on many occasions. I say that my people are living in Canada, too, and it is not a criticism to say that something is done for them. If it is in favour of my people, then that should commend it especially when it is for the general good.

Doctor Cyrus Macmillan was not parochial. He was a member of the Duncan commission and was afterwards a member of the Maclean commission. Doctor Cyrus Macmillan in dramatic language and in no uncertain terms said that conditions were such that steam trawlers must be abolished, if fishermen were going to live. Then, in Nova Scotia there was set-up the Jones commission, presided over by Professor Jones of England. Connected with the commission were Mr. Alexander Johnston, the late deputy Minister of Marine and Fisheries, and Doctor Innis of Toronto university. Were these men parochial? Alexander Johnston and Doctor Innis said that the steam trawler must be abolished if the fishermen of Canada are to be sustained or preserved.

Then we come to the price spreads commission of last year. Hon. members of this chamber served on the commission, and in their considered report what do they say?

They say that the fisherman has lost his bargaining power, and in order that he may get along the steam trawler must be gradually abolished in this country.

Progress reported.

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

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## Wednesday, April 29, 1936

The house met at three o'clock.

### PRIVILEGE—MR. CHURCH

Mr. T. L. CHURCH (Broadview): Mr. Speaker, I regret to rise to a question of privilege. I wish to refer to a few short words in a long editorial reflecting on me, on this subject, in the Ottawa Journal of Saturday, April 25, in which it says, referring to my remarks in this house on Wednesday, April 22, "The member for Broadview goes places when he gets on his feet." It says I saw New York slums from the Grand Central station, Times square, the Waldorf-Astoria and Fifth avenue. I did not—nor those here from an Ottawa golf club. There was no "if" about it. I saw them in New York with the late Doctor Hastings, the great medical health officer. I only referred to those across the Ottawa river as one concrete case in Canada. I saw these in detail the day before I introduced the housing motion of last year, and again on July 3 and 4, 1935. According to citation 157 of Beauchesne I deem these errors an interference with and reflection upon a private member. The editor says I spoke without that "profound preliminary thought that is supposed to be an attribute of statesmanship." I did not. I devoted fifteen years of thought with the late Doctor Hastings to secure slum clearance and housing, and a modern health department in all its forms. He wishes I had come closer to the facts and had a little more sympathy and understanding. When I need these I will not go to this editor for such aid. I know the facts. While I will always respect and admire the proprietor of this paper, its editor "understands everything and knows nothing" of slum conditions as I have seen them.

### DAIRY INDUSTRY ACT

Hon. J. G. GARDINER (Minister of Agriculture) moved for leave to introduce Bill No. 56, to amend the Dairy Industry Act.

Some hon. MEMBERS: Explain.

Mr. GARDINER: This is a short amendment having to do with the different sizes of prints in which butter can be made up for sale. I understand that in British Columbia they are in the habit of using a three pound print, while in other provinces they usually use one or two. The law now confines us to a maximum of two, and the intention is to extend it to permit the use of any multiple of one.

Motion agreed to and bill read the first time.

### QUESTIONS

(Questions answered orally are indicated by an asterisk.)

#### VANCOUVER HARBOUR COMMISSION

Mr. MacNEIL:

1. How many persons have been dismissed from the staff of the Vancouver harbour commission since October 23, 1935?
2. How many of those dismissed during this period were ex-service men?
3. How many persons have been appointed to the staff of the Vancouver harbour commission since October 23, 1935?
4. How many of those appointed during this period were ex-service men?

Mr. HOWE:

The following information supplied by the Vancouver harbour commissioners:

1. Twenty-seven.
2. Six.
3. Fifteen.
4. Three.

Mr. McLARTY:

1. How many persons have been dismissed from the staff of the Vancouver harbour commission during the period commencing August 7, 1930, and ending October 23, 1935?
2. How many of those dismissed during that period were ex-service men?
3. How many persons were appointed to the staff of the Vancouver harbour commission during the said period?
4. How many of those appointed during the said period were ex-service men?

Mr. HOWE:

The following information supplied by the Vancouver harbour commissioners:

1. Seventy-six.
2. Twenty-two.
3. One hundred and thirty-two.
4. Forty-six.

(Note: During this period mentioned the commissioners assumed operation of Lapointe pier, including staff of that pier; also Second Narrows bridge and also operated elevator No. 2 for one year).

#### DELORIMIER POSTAL STATION, MONTREAL

Mr. DESLAURIERS:

1. What is the name and address of the owner of the building situate at 4574 Papineau

street, Montreal, occupied by the Delorimier postal station?

2. What is the municipal valuation of this building?

3. What is the monthly and yearly rental for that portion of the building occupied for postal purposes?

4. What amount has the government expended on said building, for improvements, repairs and maintenance from 1930 inclusive to 1936?

5. What is the floor space occupied by the post office?

6. When does the lease of the building expire?

7. During the depression was any reduction made in the rental?

Mr. ELLIOTT (Middlesex):

1. J. O. Malo, 1856 De LaSalle ave., Montreal, P.Q.

2. Land, $4,000; building, $16,000; total, $20,000.

3. (a) $300; (b) $3,600.

4. From date building rented May, 1, 1931, to January 31, 1936. Minor repairs and improvements, $602.03 for four years and nine months. (Large improvements and repairs made by owner). Caretaking, heating, lighting, power and water, $4,976.70 for four years and nine months.

5. 4,650 square feet.

6. May 1, 1937.

7. On expiration of lease May 1, 1936, the rental reduced to $3,000 per annum.

ALLEGED SHORTAGE OF POTATOES

Mr. STEVENS:

1. Has the attention of the government been drawn to a widely circulated press dispatch stating that there was a shortage of potatoes in Canada?

2. Is the government aware that such a statement was unwarranted by the facts?

3. What steps, if any, have been taken to correct the false impression made by this dispatch?

4. Is the government aware that retail prices of potatoes have been advanced to an unwarranted extent in many instances as a result of the dispatch referred to in question No. 1?

5. Has any inquiry been instituted to ascertain who was responsible for the dispatch, and as to whether or not holders of storage supplies of potatoes were implicated in circulating the information for the purpose of increasing prices?

Mr. GARDINER:

1. Yes.

2. No. On the contrary, reliable information shows that the crop and marketing position warranted a sharp price advance in potatoes. Commercial storage holdings in Canada at April 1st totalled only 48,152 tons against 246,673 tons in 1935. New York and Boston wholesale prices had taken a sharp rise and attracted shipments from the maritime provinces which otherwise would have been available to demand in central Canada. The following are extracts from the New York Packer, a prominent trade journal:—

"New York, April 10—Maine growers still fortunate enough to own potatoes were this week feeling that they, for the first time in recent years, were in control of the market situation, and started naming their own prices. Varying factors entered into this bullish outlook, the foremost being that practically all remaining supplies were in their hands, the second being the comparatively small amount of potatoes which still remain to be shipped, and the third and not the least important being the continued heavy demand from widely scattered regions which in former years at this period would be drawing stock from producing districts closer to home. . ."

"New York, April 17—The potato market ruled firm to slightly stronger here this week with supplies clearing readily at prices higher than last week's. The present bullish tone continued in the shipping sections, particularly in Maine, and even many conservative distributors were gradually losing their bearish attitude.

In the Maine sections growers were reluctant to haul their stocks even at the $3 per barrel figure and remained firm in their conviction that the peak price had not been reached. . .

One cargo arriving by boat, totalling around 90 cars, reached the market during mid-week and this stock cleaned up rapidly, opening prices of $2.15 being speedily advanced to $2.25 per 100-lb bag, all sales f.o.b. Port Newark. . .

Another boat arrived carrying approximately 80 cars of Prince Edward Island potatoes and these also cleaned up speedily at attractive prices ranging from $2.50 to $2.60 per 90-pound bag, depending on size. . . .

Taking the entire potato market as a whole the present tone is one of extreme strength, and while there continues to be an undercurrent of uneasiness over the sudden rise in prices, the willingness displayed by buyers at all important marketing centres to absorb receipts at the higher levels seemed to indicate that values at the moment were fairly sound."

"New York, April 24—The potato market continued firm to slightly stronger this week both locally and in the shipping sections of the country. While price advances have been spotty there has been no instance of weaknesses since the recent upward surge began a few weeks ago, and the steadiness of the

advance both at country points and in the consuming centres appeared to sustain the bullish attitude taken by the majority of growers in Maine. . . .

While the main portion of the 200 cars which have been moving daily from Maine were destined for eastern markets, some middle western buyers were still taking on more than their customary purchases from that area for this late period of the season. This condition was partly brought about by high prices of Idaho offerings, as well as the disappointing quality and size shown by the early new stock from Florida in the opinion of many in trade circles. . . ."

3, 4, and 5—Answered by No. 2.

VIMY RIDGE MEMORIAL

Mr. CHURCH:

1. When is the Vimy Ridge memorial in France to be unveiled?
2. When will an announcement be made of Canada's representatives there, and who is to be invited to attend?
3. Will soldier members of parliament who served at the front be included and sent?
4. Will the representatives of the various soldier organizations, the Canadian Legion and others, be included and to what extent?
5. What will the memorial cost when completed?

Mr. MACKENZIE (Vancouver):

1. July 26, 1936.
2. It is expected that it will be possible to make an announcement shortly.
3. Under consideration.
4. Has not been considered. This has not been requested by these organizations; and it is understood that a large pilgrimage is proceeding to France under the auspices of the Canadian Legion of the British Empire Service League, to attend the unveiling of the Vimy Ridge memorial.
5. It is estimated that the cost of the construction of the memorial, together with the building of roads, the preparation and laying out of the grounds and incidental expenses, will be about $1,290,000.

EXPORTS OF BUTTER

Mr. BERTRAND (Prescott):

1. Did the government help to take some butter off the Canadian market during the calendar year 1935?
2. If so, was it done under a scheme under the Natural Products Marketing Act
3. How many pounds of butter were then exported under such scheme, and on what dates?
4. How much money did this cost the government (a) as allowance on butter; (b) as cost of administration of scheme?
5. To whom were these amounts paid?



Mr. GARDINER:

1. Yes.
2. Yes.

| | | Pounds |
|---|---|---|
| 3. | September 23 | 150,757 |
| | September 24 | 2,744 |
| | September 25 | 44,645 |
| | September 26 | 35,448 |
| | September 27 | 361,454 |
| | September 28 | 183,064 |
| | September 30 | 137,592 |
| | October 1 | 171,111 |
| | October 2 | 264,023 |
| | October 3 | 185,472 |
| | October 4 | 666,693 |
| | October 5 | 170,231 |
| | October 7 | 56,056 |
| | October 8 | 756,607 |
| | October 9 | 381,827 |
| | October 10 | 383,889 |
| | October 11 | 568,947 |
| | October 12 | 166,740 |
| | October 14 | 44,800 |
| | October 15 | 162,129 |
| | October 16 | 182,151 |
| | October 17 | 344,587 |
| | October 18 | 934,615 |
| | October 23 | 44,800 |
| | October 25 | 107,956 |
| | Total | 6,508,338 |

4. (a) $73,781.75.
   (b) $ 356.66.

| | | |
|---|---|---|
| 5. | (a) A. A. Ayer Co. Ltd., Montreal | $18,850.99 |
| | Hodgson, Rowson Co. Ltd., Montreal | 5,149.74 |
| | Lovell & Christmas, Ltd., Montreal | 7,569.20 |
| | Olive & Dorion Ltd., Montreal | 19,816.46 |
| | Canada Packers Ltd., Montreal | 20,050.65 |
| | Swift Canadian Ltd., Montreal | 2,344.71 |
| | | $73,781.75 |
| | (b) Stationery | $ 2.40 |
| | A. C. Fraser, Ottawa, Ont., travelling expenses | 22.68 |
| | H. M. Jackson, Simcoe, Ont., travelling expenses | 36.00 |
| | Bell Telephone Co., Ottawa | 256.41 |
| | Canadian National Telegraph Co | 39.17 |
| | | $356.66 |

PHILIPPE CHALIFOUR

Mr. WERMENLINGER:

1. Is Philippe Chalifour of Beauport county, Quebec, employed as labourer by the marine department at Quebec?
2. If so, on what date did he commence his work?
3. Has he been dismissed; if so, when?
4. Upon whose recommendation?
5. For what reason was he dismissed?

Mr. HOWE:

1 and 2. He was employed as labourer from March 8, 1917.
3. He was dismissed April 1, 1936.
4. Wilfrid Lacroix, M.P.
5. Political partisanship.

HAVRE ST. PIERRE, QUE., WHARF

Mr. WERMENLINGER:

1. To whom was the contract given for the construction of a wharf at Havre St. Pierre, county of Charlevoix-Saguenay?
2. Who were the tenderers?
3. At what figure was the contract awarded?
4. How many toises of stone will be required in the construction of said wharf?
5. What is the agreed price per toise?

Mr. CARDIN:

1. Victor E. A. Bélanger and James Bertrand.
2. Bélanger & Bertrand Cie de Construction de la Côte du Nord Ltée; The Foundation Company of Canada Ltd.; Collet Frères Ltée.
3. $60,043.60.
4 and 5. Approximate quantity of stone required and price as per tender: Stone riprap walls, 150 cubic yards at $2 per cubic yard; flat stone coping, 150 lineal feet at 60 cents per lineal foot; rock fill, 4,800 cubic yards at $1.50 per cubic yard.

WEIGHTS AND MEASURES ACT

Mr. STEVENS:

1. What was the number of prosecutions conducted during the calendar year 1934 and the calendar year 1935, under the Weights and Measures Act, in Ottawa and Toronto?
2. How many of these prosecutions were based on information laid against individual branches of chain stores, and how many were based on information laid against independent merchants?
3. How many convictions were secured against individual branches of chain stores in Ottawa and in Toronto?

Mr. EULER:

1.

| | |
|---|---|
| 1934, Ottawa | 58 |
| 1935, Ottawa | 9 |
| 1934, Toronto | 166 |
| 1935, Toronto | 55 |

2.

| | Chain | Independent |
|---|---|---|
| 1934, Ottawa | 44 | 14 |
| 1935, Ottawa | none | 9 |
| 1934, Toronto | 105 | 61 |
| 1935, Toronto | none | 55 |

3.

| | |
|---|---|
| 1934, Ottawa | 42 |
| 1935, Ottawa | none |
| 1934, Toronto | 105 |
| 1935, Toronto | none |

VANTAGE, SASK., MAIL SERVICE

Mr. PERLEY (Qu'Appelle):

1. Who held the contract for carrying the mail from the post office at Vantage, Saskatchewan, to the railway station, prior to December 1, 1935?
2. Was he dismissed; if so, for what reason?
3. Who is the present holder of the contract for carrying the mail from Vantage post office to the railway station?
4. Were tenders called for the contract; if not, why?
5. Who recommended the present holder of the contract and what is the remuneration for said services?

Mr. ELLIOTT (Middlesex):

1. Thomas Wiseman.
2. No. His contract expired March 31, 1936.
3. M. D. Rowe.
4. No—contract rate not in excess of $200 per annum.
5. Dr. T. F. Donnelly, M.P. $200 per annum.

CANADIAN NATIONAL RAILWAYS

Mr. BROOKS:

1. What was the total tonnage of each grade or size of coal used at each point of consumption on the Atlantic division of the Canadian National Railways from January 1, to December 31, 1935?
2. From what persons or companies was coal purchased for said railways during said period, what tonnage from each and what price was paid to each for the different sizes f.o.b. cars Canadian National Railways tracks?
3. What quantity of coal produced in Nova Scotia was used by the Canadian National Railways in New Brunswick during the calendar year 1935?
4. What quantity of coal produced in New Brunswick was used by the Canadian National Railways in Nova Scotia during the calendar year 1935?
5. With what persons or companies have contracts been entered into for the supplying of coal to Canadian National Railways, Atlantic division, for the year 1936?

Mr. HOWE: This refers to a matter of the internal operations of the Canadian National Railways, having to do with the purchase of supplies. It has not been the custom to answer questions of this kind in parliament, and I must ask that the question be dropped.

Mr. SPEAKER: Dropped.

Mr. LAPOINTE (Matapedia):

Have the Canadian National Railways during the past year engaged new engineers or firemen on the Campbellton-Mont Joli division? If so (a) what are their names and addresses, and (b) what were the dates of their engagement?

Mr. HOWE: This also has to do with the internal management of the Canadian National Railways. I must ask, for the same reason, that this question also be dropped.

Mr. SPEAKER: Dropped.

## QUESTIONS PASSED AS ORDERS FOR RETURNS

### MOTOR VEHICLE LICENCES

Mr. MacINNIS:

1. How many motor vehicle licences were paid for by the dominion Department of Public Works in (a) the city of Victoria; (b) the city of Vancouver, for the year 1935?
2. Are all cars for which the government paid a motor licence the property of the government?
3. What is the make of the cars used by officials of the Department of Public Works in the cities mentioned?
4. What was the purchase price of each car owned by the government in the cities mentioned?
5. What is the name and occupation of the government employees operating these cars?
6. Are there departmental regulations which require that all government cars must be marked with the name of the department or other distinguishing marks or letters?
7. What are the regulations, if any, pertaining to the use of government owned cars for other than government business?

### PUBLIC BUILDINGS—COAL

Mr. BROOKS:

1. What persons or companies were awarded contracts for the supplying of coal for the dominion public buildings in the maritime provinces for the coal year 1935-36?
2. What tonnage was given to each contractor, and what buildings was each to supply, also what was the grade of coal and price per ton?

### FARM LOAN BOARD STAFF, REGINA

Mr. PERLEY (Qu'Appelle):

1. Who were the members of the farm loan board staff at Regina prior to October 14, 1935?
2. What was the salary of each?
3. Who are the present members of the farm loan board staff at Regina?
4. What is the salary of each?
5. How many loans have been paid out by the farm loan board at Regina, between October 13, 1935, and the present date?

## MOTIONS FOR PAPERS

### WEIGHTS AND MEASURES ACT

Mr. STEVENS:

For a return showing: (1) A list of the names of those convicted of infractions of sections 63 or 64 of the Weights and Measures Act during the calendar year 1934 and the calendar year 1935; (2) the date of the signing by the minister of the authority to prosecute; (3) the date of the conviction; (4) the name and address of the premises where the offence occured in each separate instance, for both chain stores and independent stores.

### CENTRAL FINANCE CORPORATION

Mr. POULIOT (for Mr. Bouchard):

For a copy of the application for incorporation of the Central Finance Corporation and all correspondence supporting the application and petition for incorporation. Also a copy of the returns made by the Central Finance Corporation after incorporation to the date of the passing of this order of the house.

## GOVERNMENT MERCHANT MARINE

On the orders of the day.

Mr. R. E. FINN (Halifax): Before the orders of the day are called I should like to direct a question to the Minister of Railways (Mr. Howe) concerning a matter of great importance to the people of Nova Scotia, and particularly to the port of Halifax: whether or not the report is true that the Canadian merchant marine, now plying between the port of Halifax through the Panama canal to Australia and New Zealand and back through the Panama canal to New York and Boston, thence to Saint John and to Halifax in winter, and up the St. Lawrence, has been sold to the Elder Dempster line, and for what amount?

Hon. C. D. HOWE (Minister of Railways and Canals): Mr. Speaker, it is true that the line operating direct between Halifax and Saint John and Australian and New Zealand ports has been sold. I think the hon. member who asked the question is confusing this with another service, the Halifax-West Indies service, which, as he suggests, does call at Boston. This latter service has not been sold, and there is no intention of selling it. I may say that the sale of the Australian service has been under consideration by the government for several years. The boats had reached the end of their usefulness; they were very slow and unsuitable for the service, and the matter had reached the point where their replacement would have to be reconsidered. The government was faced with the alternatives of scrapping the boats, replacing them, or selling them. It was felt that this disastrous experiment in ocean shipping did not warrant further expenditures in the same direction. It was

found possible to sell the boats under conditions that guarantee the service for at least five years, without subsidy and with boats faster and more suitable to the trade. Arrangements were made whereby the new owners would take over the staffs, both ashore and afloat, of this company, and conditions were imposed which, I think will protect every interest that could possibly be in jeopardy through the sale. We regard the price obtained for the boats as a very fair price under present conditions.

Mr. FINN: May I ask the minister another question? I was not speaking of the Canadian National Railway boats, because those are the five Lady boats and the freight boats that go to the West Indies.

Some hon. MEMBERS: Order.

Mr. FINN: This is in explanation of a statement made by the Minister of Railways. I wish to ask this further question: whether the service which is guaranteed without subsidy for five years protects the captains and officers and crew, who are Canadian, as to continuance in the service of the steamship company to which these boats have been sold.

An hon. MEMBER: The minister said so.

Mr. SPEAKER: Order. I think that is enough.

Mr. HOWE: I intended to cover in my first statement the answer to the last question. The terms of the sale provide that the staff and crews both afloat and ashore will be taken over by the purchasers.

Mr. BENNETT: In view of the précis of the arrangement that has been given verbally by the minister, I assume that at a convenient moment he will lay the papers on the table of the house.

Mr. HOWE: I shall be very glad to do that. The papers are not quite completed at the moment.

## CANADIAN NATIONAL RAILWAYS

### REPORTED LEASE TO CANADIAN PACIFIC OF WINDSOR-WINDSOR JUNCTION LINE

On the orders of the day:

Mr. R. E. FINN (Halifax): I have another question of importance to address to the Minister of Railways. Has he or have the government knowledge that a contract is about to be entered into with the Canadian Pacific Railway for a long period of years, leasing the road from Windsor to Windsor Junction, which is owned by the Canadian National Railways?

[Mr. Howe.]

Hon. C. D. HOWE (Minister of Railways and Canals): Mr. Speaker, I think if the hon. member would make this a notice of his question I should prefer to answer it tomorrow.

Mr. SPEAKER: This will stand as notice of the question.

## BUSINESS OF THE HOUSE

### PROCEDURE WITH REGARD TO PRESENTATION OF BUDGET ON FRIDAY

On the orders of the day:

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, in making his statement yesterday as to the date of delivery of the budget I assume that the Minister of Finance was aware of the fact that standing order 28 provides:

> On Thursdays and Fridays when the order of the day is called for the house to go into committee of supply, or of ways and means, Mr. Speaker shall leave the chair without putting any question, provided that, except by the unanimous consent of the house, the estimates of each department shall be first taken up on a day other than Thursday or Friday.

As the situation stands at present no motion could be made for the purpose of delivering the budget.

Hon. CHARLES A. DUNNING (Minister of Finance): I recognize the correctness of my hon. friend's quotation from the rules of the house, but in other years a way has been found to overcome this difficulty. Last year, if I remember correctly, the budget was delivered on Thursday, and whatever method was followed then I hope the house will permit me to follow on this occasion.

Mr. BENNETT: I am only offering the suggestion that the minister should make the appropriate motion so that the matter will be regularized before Friday, because if I raised the point on Friday the minister could say very properly that he had been taken unawares and without having been given an opportunity to deal with the situation.

Mr. DUNNING: If it is necessary to do something in advance I will do it.

## GERMAN CRUISER EMDEN

On the orders of the day:

Mr. S. W. JACOBS (Cartier): I should like to direct a question to the Prime Minister. Is the proposed visit of the German cruiser Emden to Montreal being made with the approval and consent of this government?

Right Hon. W. L. MACKENZIE KING (Prime Minister): I may say to my hon.

friend that the visit of the Emden to Montreal has no political significance. The visit is not at the invitation or on the initiative of the government of Canada but is part of a routine visit which the Emden is making to various countries in South America, Central America and North America, which visit includes Montreal. The visit was concurred in by the Canadian government as long ago as September of last year. To cancel the visit at this stage would be to take a course that is unprecedented among nations at peace.

Mr. JACOBS: Then I should like to ask the Prime Minister the further question as to whether the city of Montreal has not in some way protested against this visit and communicated with the government with respect to it, inasmuch as riots are feared on the arrival of the boat.

Mr. MACKENZIE KING: I may say to my hon. friend that the mayor of Montreal has communicated with the government. I would not say protesting against the visit but drawing attention to the possibility of the visit not being as pleasant as those on the Emden might expect, but the government hopes that the good sense of the people of Montreal will govern the situation.

Mr. T. C. DOUGLAS (Weyburn): May I ask the Prime Minister if any money is being expended by the federal government to extend a welcome to the Emden?

Mr. MACKENZIE KING: I am not aware of any money having been specially appropriated for the purpose, but I assume that the ordinary courtesies will be extended which are customary when vessels of foreign countries visit Canadian shores.

## SUPPLY

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

### DEPARTMENT OF FISHERIES

To aid, in cooperation with provincial governments concerned, in reestablishment of needy fishermen, $300,000.

The CHAIRMAN: Shall the item carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN: Carried.

Mr. KINLEY: At eleven o'clock last night I was speaking in connection with this item—

The CHAIRMAN: I would direct the attention of the hon. member to the fact that the item is carried.

Some hon. MEMBERS: No.

The CHAIRMAN: I am entirely in the judgment of the committee; if it is the wish of the committee the discussion may proceed.

Mr. KINLEY: At eleven o'clock last evening I was speaking on this estimate, dealing with the subject of beam trawlers. At that time I said I would speak of the matter again at some future time, and I prefer to do so on the ordinary estimates.

Mr. POULIOT: Before this item is carried may I ask the minister if any representations have been made in regard to this matter by Hon. John Hall Kelly, minister without portfolio, of Quebec?

Hon. J. E. MICHAUD (Minister of Fisheries): The answer is no.

Mr. POULIOT: Thank you; very good.

Mr. SENN: May I ask the minister if any of this money is to be used for inland fishermen?

Mr. MICHAUD: It is not the intention so to use it.

Mr. FINN: I would like the minister to give us some idea as to how this $200,000 is to be expended.

Mr. MICHAUD: I thought I gave the information last evening. If the hon. gentleman wishes to know what amount will be apportioned to each province I may tell him that it is not possible to give that information at the present time. Each province has to furnish a sum equal to that supplied by the federal government, so we must ascertain how much the province is going to put into the fund.

Mr. FINN: That was not the question I asked the Minister of Fisheries. I did not ask who was going to expend the money if the provinces do come into the scheme; I asked as to the policy of the department with regard to the expenditure of the money. For what specific purpose is it going to be used?

The CHAIRMAN: Is the hon. member for Halifax speaking on item 314?

Mr. FINN: I am speaking on item 315.

The CHAIRMAN: The committee is still on item 314. Shall the item carry?

Item agreed to.

To aid in expanding the sale of the products of Canadian fishermen in foreign and domestic markets, $200,000.

Mr. STIRLING: Would the minister be good enough to explain to whom this money is to be paid?

Mr. MICHAUD: This appropriation is to be expended exclusively under the control of the dominion government. It is for the purpose of helping the fishing industry in respect to its relations with the dominion government, that is so far as the dominion has jurisdiction over the fisheries. Those interested in this industry complain that their greatest handicap is the limitation of markets. It is well known by hon. members who represent fishing constituencies or who have any relation to the fishing industry that within the last several years foreign markets for our fish have dwindled to such an extent that to-day in some parts of the country some classes of fishermen think it is not worth while any longer to pursue that vocation.

At to the causes of this situation I will not undertake to speak in detail; they are numerous and far reaching. But we have to face the fact that the situation exists, that our foreign markets for cured or salt or dried fish have practically been taken from us by European countries within the last ten years. It is represented by those interested in the industry that something should be done to try to regain these markets and convince the people of these countries that they should again purchase Canadian fish. In order to do all that is possible to satisfy these people it is intended to spend a little money this year in an endeavour to get back some of those markets.

As to how we intend to proceed, we shall call in conference those vitally interested in the export of dried and cured and salt fish, who suffer most, and on the Pacific coast the canned salmon industry, which is the largest and most important on that coast, and try to find out from them the best means that they have to suggest of going about it. With that cooperation, as far as money can help, we shall try for this year to comply with their views and experiment in methods of regaining our markets.

We shall also try to develop our domestic market. It is useless to ask foreign countries to favour our fishing industry if we do not set a good example. It is well known that Canada is the country in which per capita there is the least fish consumed. So that we have to try to develop our local market from coast to coast by educating our people to the advantages of using more fish and less meat. This will be done by a system of demonstration, and advertising and propaganda through the press.

As to the United States market there is also room for development. We expect to use part of this money to persuade our neighbours to the south to give a preference to Canadian fish because it is better than foreign fish. One of the reasons why we have lost some of our good customers in the American market for cured and salt and dried fish is that these classes of fish were consumed mostly by people in the United States of foreign descent, and with the cessation of immigration into the United States and the fact that those who went there some years ago have been educated away from fish to the extent that it was part of their diet in their country of origin, the use of fish has been gradually abandoned. So that we are going to try to educate them; it is to be a campaign of education both in our home market and in the foreign markets, in order to induce the people to revert to their old love, good Canadian fish.

Mr. STIRLING: The minister said at the beginning of his remarks that this was to apply to that portion of the fishing industry which is under dominion control, did he not?

Mr. MICHAUD: Well, no; my statement might have been open to that understanding, but we are not going to discriminate against any class of fish or any province. It is to be Canadian fish, whether from the inland provinces or the Pacific or the Atlantic coast.

Mr. REID: I wonder if the minister would take into consideration the matter that I discussed last night in connection with the selling of more fish in the home market, namely the cost of fish in the interior provinces. While fishermen on the Pacific coast receive from one and a half to ten cents for a whole fish weighing from ten to fifteen pounds, the price becomes almost prohibitive once it reaches the interior provinces. Many fishermen, especially in the last few years, have gone in for smoking their own catch, but with the high cost of transportation when those fish reach the prairies or the interior province markets they become too expensive for most people. Price, and of course freshness and quality, have a great deal to do with the consumption of fish, but particularly price. Will the minister take into consideration that aspect of the matter?

Mr. MICHAUD: I shall be glad to do so.

Mr. FINN: In the past we had markets for our smoked and dried fish in the West Indies, in Cuba and at times in the United States, as well as the domestic market. The West Indies market is being lost, for two reasons. The first and main reason is that through mechanical refrigeration the fish caught by people of the West Indies them-

selves can be preserved and therefore there is not the necessity of obtaining fresh fish from the Canadian Atlantic coast fisheries. The Cuban market has been lost because of the fact that there was an agreement that the intermediate tariff should apply if we bought from them twenty-five per cent of what we sold them. We did not do so and they raised the tariff, with the result that to-day our fish can enter Cuba only under the highest possible tariff and therefore are practically excluded. The United States market was lost in 1922 as a result of the Fordney-McCumber tariff. It has continued to be lost, and the Prime Minister stated in connection with his reciprocity pact entered into with the United States that they would not consider reducing the duty on fish because the New England fishermen in Gloucester would not permit it, therefore the American market is practically closed to us. I believe there is an opportunity to recover the Brazilian market, because the producers of Finland, who had been supplying that market, are not sending fish equal to ours, and for that reason there is a possibility of development.

I now come to the question of our own domestic market. I do not speak in criticism of the Minister of Fisheries, nor has a word of mine been offered in that sense—unless it was constructive criticism—but I do say that if we are to branch out and are to obtain the Montreal and Toronto markets for fresh fish from the maritimes some arrangement must be made under which the government will pay part of the freight. Fish could then come through by express at a rate equal to the present freight charges. If the rates are not adjusted we shall not be able to capture this market.

I well remember that when the Prince Robert, of which the leader of the opposition spoke the other day, went to the West Indies and to South America on a good will tour she was supposed to show the goods and wares of Canada, and to induce the people in those places to buy in Canadian markets. But when the boat arrived at ports in Bermuda and British Guiana and on the South American coast those who were in charge of the exposition desired to see things ashore, and went ashore for that purpose. The people who wanted to see goods coming from Canada came aboard the ship, but there was practically no person to talk to them.

For these reasons I am glad that this vote has been placed in the estimates, and I am further pleased to note that the Prime Minister is now in the house to hear my observations. I repeat what I said last night, that every protection is given to the wheat growers of the west. To-day we have the marketing board, and the wheat board over which Mr. Murray presides. In addition we have the wheat exchange in which futures are purchased, a procedure which so far as I know is to a great extent a system of gambling and is contrary to the provisions of certain sections of the criminal code. The wheat marketing board fixes the price of wheat at 87½ cents, but it will bring only 81 cents on the market. The government makes up the difference between 81 cents and 87½ cents. Why not have a fish marketing board, under which the government would fix the price, and pay the difference between the fixed price and the market price? Let the government treat the fishermen in the east as it treats the farmers in the west. I throw this out as a suggestion and a constructive thought that may be considered, as I believe it will be, by the Prime Minister and members of his cabinet when they sit in the east block and consider a better way of bringing relief to those sorely stricken people living along the coast of my own province, along the coast and the north shore of New Brunswick, and along the shore of the St. Lawrence river and the bay of Fundy.

I am not parochial. I would have spoken for British Columbia, but the interests of that province were well represented last night by the hon. member for—

Mr. POULIOT: Comox-Alberni.

Mr. FINN: My hon. friend is trying to help me out, but his pronunciation does not help me because he speaks the language of the great province of Quebec, although he speaks English well, too. However, I do not speak both languages. I thank him for his suggestion. Last night the hon. member for Comox-Alberni (Mr. Neill) spoke about lions which had to be destroyed on the Pacific coast, and he referred to some other species which at the present time I cannot remember. I am afraid of lions, and that is the reason I remember his reference to them; I am sure he did not speak about tigers.

With the aid of these suggestions to the Minister of Fisheries and the Prime Minister I hope a solution may be found through which the fishermen, who take the greatest risks and suffer the greatest losses, and who are without protection for their boats or their lives, may reap the benefit of legislation which will permit them in future to carry on an industry under fair conditions and not such as exist to-day where fish sold by them at two cents per pound are sold in the stores at 15 or 16 cents per pound. Who is getting the difference?

I believe the establishment of a fish marketing board operating under government assistance would help to put the fishermen on their feet and would make them happy in their homes, and their children would not have to stay in bed to keep warm. They would be able to buy shoes for their families, and their children would be able to go to school, which they cannot do to-day. These are conditions existing in Nova Scotia, and in my own constituency of Halifax. I am sure my colleague from that constituency, who has travelled from one end of the county to the other, will agree with me that unless something is done along the lines I have suggested the fishermen will not receive their just rights. There are only two things left to them, starvation and finally the grave.

Mr. NEILL: If I may be permitted to say so, the minister's definition of his policy was a little vague, perhaps necessarily so. I noticed that in speaking of British Columbia he said he would apply to the canned salmon association, and I gathered he would be guided almost wholly—

Mr. MICHAUD: No, I do not think he used that term at all.

Mr. NEILL: What is it?

Mr. MICHAUD: "To the industry."

Mr. NEILL: Does the minister say he did not use the word "association"?

Mr. MICHAUD: "The industry."

Mr. NEILL: The canned salmon industry?

Mr. MICHAUD: The salmon industry.

Mr. NEILL: "Canned salmon," I thought, were the words used.

Mr. BENNETT: Yes, he mentioned that.

Mr. NEILL: Did the minister not use the word "canned"?

Mr. MICHAUD: Not in the sense my hon. friend wishes to imply.

Mr. NEILL: There is only one sense in which the word "canned" can be used. Hansard will show which is correct, but if the minister says that he said he was going to apply it only to the industry, then that is quite satisfactory.

Mr. MICHAUD: That was my intention.

Mr. NEILL: Yes; that is satisfactory, then. May I project myself into the realm of the future and uncertainty and say I hope that when he does make the application, on the advice of his deputies, he will not apply himself wholly to the association of canned salmon manufacturers, because they represent only one phase of the industry. There are other large bodies of people interested in other phases of it. For instance there is now an increasing sale of salmon in the fresh state. Facilities for freezing salmon in an attractive and more or less permanent form are so much improved to-day that the sale of salmon in that condition is increasing. There is an organization called the Kyuquot Trollers Co-operative Association which is worthy of assistance. I believe the whole of their output is handled in the fresh fish market, and I would hope that the minister would make an effort to address himself to that association in order to get advice as to how any sum to be spent in or on behalf of British Columbia might best be distributed.

More than once the minister stated that he would seek to educate the people of Canada and the United States, and those in foreign countries, in the use of our fish. Would he care to say that he was referring to advertising?

Mr. MICHAUD: Yes, in some form.

Mr. NEILL: In some form.

Mr. MICHAUD: Yes, some form of advertising.

Mr. NEILL: The education of the domestic population, I assume, would be along the lines already inaugurated of having an educator, I think in this case a lady, going round and giving instructions how to prepare fish in tasty form. I join with the hon. member for New Westminster (Mr. Reid) in saying that I doubt very much the further efficiency of that method. Canada has been pretty well covered already in that way. The educator, so-called, has gone into quite small places and instructed the women how to prepare tasty dishes made of fish, and I think the average Canadian woman is now fairly competent, if she was not before, in preparing fish for the family's use. What is really needed is to bring the price of fish down to a point where the housewives can afford to buy it. You do not need a political economist or a university graduate to tell women which is the cheapest form of food and on which form she can spend her husband's money to the best advantage in providing sufficient nourishing food for her husband, who is perhaps doing manual labour, and her family.

The fact of the matter is that the trouble caused by the small demand for fish in Canada is that the price is too high in proportion to the price of beef or pork. A man or woman can get more satisfying food at a cheaper price by buying the cheaper cuts of meat than by buying any form of

fish. That is the trouble, and until you eliminate that, your education as to how tasty salads can be prepared and the like of that will be of no benefit except to the wealthy people, who generally can afford to keep an experienced chef who knows all about that anyhow, and so you will not increase the sale of fish much in that way. What you want to do is to bring the price of fish to the domestic housewife down to a point where it will compare with beef or the domestic pork raised on the farm. I suggest—and I think the hon. member for New Westminster hinted at this last night—that the way to do it is to continue the policy which was inaugurated during the war whereby a direct payment was made by the government towards the freight charges on fish shipped from either the Atlantic or the Pacific ocean to the domestic market in central Canada. In that way, without giving fishermen hand-outs, and without bringing the provincial governments into the matter at all, you will provide a ready market for our fish, and particularly for the cheaper forms of fish for which a market is most lacking. We have on the Pacific coast an abundant supply of the cheaper forms of fish, such as chum, salmon, herring and pilchard, which we could sell if we could only obtain a market. If a bonus could be paid to help pay the freight charges on fish from both east and west to the central market it would enormously stimulate the demand for fish because the fish would sell itself, and you would not need an educator to come along and tell people that they ought to buy it. No amount of educating will make a woman buy an article of food which is too costly for her emaciated purse under present conditions.

The same thing might apply by way of subsidy on fish for export, but probably it would not apply to fish exported to the United States, because I understand they have some kind of countervailing arrangement by which any bonus of that kind—and it would be regarded as a bonus—would be immediately added by way of dumping duty, I suppose, to the duty on the fish entering the United States. But there are many parts of the world where I think such a condition does not obtain, and where we could probably pay a portion of the shipping charges to the foreign market without causing the duty against the fish to be increased on its arrival.

Investigation might well be made into the so-called Latin markets in South America as well as in Italy, but in South America particularly, because I think it is a newer and a less saturated market, and nearer at hand. There should be an opening down there for canned pilchards, which are a very oily fish and not cared for by the northern people, but which might be palatable to those who have been accustomed to that class of fish in Italy. There is an enormous opportunity there for canned pilchards. We now use them for fertilizer and feed for stock, and so on. I think one cannery firm alone on one occasion put up twenty thousand cases of canned pilchards as an experiment. If that market could be developed along the lines I suggest, by sending a man down to those countries to form connections there, it might be a very good thing.

I do not know whether I would be out of place in dealing further with the question of advertising, but I should like to say this: There is nothing, I think, beyond keeping a private yacht, in which money can be more easily wasted without any results at all than in ill-considered advertising. You can spend enormous sums of money in advertising, and if it is not properly applied; if you do not print the right sort of advertisement, or if it does not appear in the right papers, the money is utterly wasted, and I would urge the minister, if he is going into the advertising end of it as he indicated, to employ experts just as he would employ a lawyer to advise him in legal matters or a doctor in medical matters. I just want to give a few examples of the kind of advertising that has been done, three articles which I have under my hand, illustrating the way not to advertise. I suppose these advertisements originated, or they ought to have, with the director of publicity about whose duties and responsibilities I was inquiring when the main estimates were up.

Mr. MICHAUD: What is the paper?

Mr. NEILL: I have three, and I will name them as I come to them. This advertisement is printed in the Western Fisheries. Hon. members can see the size of it.

Mr. MICHAUD: Is that the paper in which the hon. member recommended to the department we should print an advertisement?

Mr. NEILL: No. I here and now recommend that you cut out advertising in this publication. It reads as follows:

> There's no mistake about this. In the long run it's the dealer with the best fish who does the best business. It's a rule of life that quality wins.

That is absolutely true. Who could reject that statement?

Mr. MICHAUD: We could not publish anything that was not true.

Mr. NEILL: No, but you could print an awful lot of things that are true but are no use printing. "Be good and you will be happy"; "early to bed and early to rise"—these are truisms—

Mr. MICHAUD: It is good to remind people of them sometimes.

Mr. NEILL: —"honesty is the best policy," and so forth. All these are truisms, but are they worth spending hundreds of dollars to print? I think I might call the statement in this advertisement a platitude. It does not help at all to sell fish, which is the chief object sought in this advertising. It is printed in a fish paper. When a doctor or a lawyer is starting out in business, does he put his card in a medical or legal journal? I think they would advertise in papers in which they would be likely to reach patients or clients, and a fish advertisement should appear where it is likely to reach consumers.

Mr. POULIOT: If a platitude is autographed by a great man it becomes valuable.

Mr. NEILL: The next advertisement is in the Pacific Coast News. This is the paper the minister thought he had me on, when he interrupted a moment ago to ask if I recommended that an advertisement be put in it. I did recommend advertising in this paper because it is a good, sound fishermen's paper, run by that cooperative association to which I have alluded, but I did not recommend that stuff like this should be put in. I am criticizing not the fact that the advertisement is in this paper, but the stuff that is printed. Let me quote from it:

A strong pull and a pull all together.

I will not read the whole of it. It goes on to say:

It is the constant purpose of the Department of Fisheries to do its full part in this essential effort.... Its supervisors and inspectors and its headquarters staff may be counted on at all times to work wholeheartedly with the men in the fisheries to serve the industry and the nation.

I am afraid if that were read out to a meeting of fishermen, this reference to cooperating with the men in the fisheries would be received with laughter, with ribald laughter perhaps not unaccompanied by profanity. The illusion is that the department is cooperating wholeheartedly with the men in the fisheries. That is not my experience, nor does it appear to be the experience of the hon. member for New Westminster (Mr. Reid), who said last night that the whole set-up of the fisheries department was against the men.

This is another one. It begins in large red headlines: "He will never go there any more." I will not read it all but it is to this effect: A man goes into a restaurant to get a meal. The advertisement describes the day—it is a nice day. The restaurant is clean and the waitress is pleasant. That is the only nice thing about it, that the waitress was pleasant. Well, he got a fruit cocktail which was all right and the soup was O.K. Then he ordered fish. He ran his eye down the menu and saw fish tastily described and he ordered it and got it. It looked very good and apparently it was well cooked; he was going to enjoy it. He took a bite and the fish was so stale that he could not eat it. The advertisement then goes on to describe his reaction, how he called first of all for the waitress, then the head waiter and then the manager and told them what he thought. By the way, this is stated at the bottom to be a true story. There is a certain magazine called True Stories and it seems to me it would have been better to take an article out of that magazine; it would have been attractive at any rate, something which this is not. It says:

The remainder of the meal was satisfactory but the thought of the bad fish remained with him. "I'll never go there any more." He told a friend and he has probably told other friends about the stale fish. It may be, too, he hesitates now about ordering fish at other restaurants.

I think that is highly probable. After reading this advertisement—and it has been published for months and months to make people fish conscious, to make them rush out and buy fish—I went to a cafe, looked at the menu and saw "fish," and I was about to order fish when I stopped and said to myself, "Let me see; what did I read about fish the other day"? And then the thought of stale fish and ptomaine poisoning crossed my mind and I decided I had better leave fish alone. That was the reaction which I as an ordinary person had to this advertisement. The fish was liable to be stale and might cause ptomaine poisoning.

I do not think that is a good way to promote the sale of fish. No one reading such an advertisement would run violently down a steep place to order fish; I do not think so. It seems to me that an altogether different method should be followed in advertising. Let us cover up these things; let us keep quiet about them. If the man did happen to get stale fish on some occasion, advise him to forget it and assure him that

you will make it right with him. But don't keep suggesting that fish is liable to be stale and to produce very unpleasant consequences to those who eat it.

That was what I had in mind when I said that a good deal of money could be wasted in the wrong sort of advertising. If you want to make a success of advertising you need to keep two things in mind. First of all, you must have a sound article, not an inferior one, because you cannot advertise a bad article into sale. Experience has proved that. Then you have to put the article up in an attractive form and advertise it well. Don't stint in advertising it; advertise it in the right places and in the right way. I have done a little advertising of my own and I know that while you can spend money and get returns you can also spend money and get nothing. Those of us born in the old country and of about my age will remember the publicity given a certain soap many years ago. The success of that soap was due largely to the fact that it was a good article, but a good deal depended upon the manner in which it was advertised. The company bought a picture, or at any rate a copy of a picture by a famous painter—

Mr. BENNETT: The original, by Sir John Millais.

Mr. NEILL: Was it the original? At any rate, it showed a child in the bath and you could hardly see the soap at all. The child was reaching over the side of the bath for a cake of soap and underneath were the words, "He won't be happy till he gets it." Nothing was said about the soap; it did not give the name of the soap, unless the name appeared on the piece of soap. That became a household phrase and men quoted it in parliament—"He won't be happy till he gets it." That sold more soap than would have been sold if the picture had shown the child slipping on a cake of soap and breaking its neck.

Let me try to give the minister a picture, because this is the only chance I shall have to do so. And he must not despise it because it comes from a back-bencher of no importance, because after all Scripture speaks of wisdom coming from the mouths of babes and sucklings. I want to suggest a picture that might help to sell our salmon, and it is our salmon I am talking about, the best in the world, British Columbia sockeye. Have something after the fashion of Sir John Millais' picture: A beautiful river, a fine sunny day, a Peterborough canoe tied up to a grassy bank, in the background a farm scene or an orchard in bloom, a young man and his girl at lunch on the bank. The young man says, "These are swell sandwiches; did you make them yourself?" The girl says, "Yes, I made them myself. I used British Columbia sockeye, the best in the world." Or she might be saying, "Take another." The slogan could be any of these: "Take another," or "The best in the world," or something of that sort. There you would have all that is desirable, as the manufacturer of that soap found. The picture must present first of all something that will catch the eye as one turns over the leaves of a magazine, and in the second place it must be something that will stick in the mind after you have read it. Above all it is most essential that the article advertised should not be too definitely indicated. If such an advertisement met with half the success, or one-tenth of the success of the soap advertisement I have mentioned, then certainly the money would be well spent. Let us forget all about the fish being stale. British Columbia sockeye is the best salmon in the world and we should so advertise it and emphasize the fact that it is put up under ideal conditions. Advertising along these lines would produce results and the money spent on it would be well spent.

Mr. MacLEAN (Prince): I think the minister is to be congratulated upon this vote which he has placed in the estimates. I believe the idea of trying to help our fishermen by providing markets is one which will commend itself and bring better results than anything else. We have various kinds of the finest fresh fish in the maritimes but our difficulty is in finding a market. While my hon. friend (Mr. Neill) was speaking he referred to the cost of getting our fish on the markets of the world. I have on my desk a bill sent me a few days ago by one of our fishermen in the maritimes. He sent 125 pounds of fresh smelts to the New York market. They sold at eighteen cents a pound, or a total of $22.50, but the charges amounted to $13.39, or over forty-three per cent of the total value of the fish.

Mr. BENNETT: He shipped them by express.

Mr. MacLEAN (Prince): Yes, they were shipped by express. There is the difficulty. For a long time we have been endeavouring to get lower express rates, and possibly this line could be taken into consideration, under this vote, by the minister. It is true that shipping to the United States is subject to international express rates, and that we have no control over United States rates. But I

believe that if the departmental officials would take this matter up officially with the Canadian express companies and also try to get some cooperation from the United States companies, a great saving could be made to the benefit of our shippers in the east. When forty-three per cent of the value of a small shipment of fish goes in commissions and express rates, it is pretty discouraging to the man who is endeavouring to catch fish and carry on. I feel, however, that in respect of this item the minister is moving in the right direction. We need to expand our markets, and I believe there is a greater field in respect to fisheries than in anything else. Not only have we to find markets but we must also instruct our fishermen in putting up fish in such a way that it will reach the markets of the world in the best possible condition. I wish the minister the best of success. I bring these points to his attention to indicate a line of activity which I think could usefully be pursued.

Mr. MARCIL: I wish to say a word for Quebec in connection with this vote. The minister represents a constituency which is across from my own, so that he is familiar with the conditions existing in the locality. Matters in Gaspé peninsula are complicated by the fact that the maritime fisheries were transferred, some ten years ago, to the Quebec government, and the people, rightly or wrongly, feel that the federal government has not given the assistance which these fisheries have a right to obtain and which is given in New Brunswick and other maritime provinces of Canada. Anything that is done for needy fishermen should be extended to them, because the neediest fishermen I know of in this dominion are those of the Gaspé peninsula. They have lost their Italian market for cod; they have been handicapped in South America, and they are in a worse condition than they have ever been within my knowledge, which extends over more than half a century.

As the minister is aware, His Excellency Monseigneur Ross, Bishop of Gaspé has been advocating that something be done to prevent the Gaspé fishermen from disappearing entirely. For many years, unfortunately, we neglected the farmer in this country. As a result the farmer left his farm and went into the cities; and now close to two-thirds of our population is in the cities and only a little more than one-third in the country districts. We have ceased to be an agricultural nation—although agriculture, after all, is and will always remain the mainstay of Canada—in order to attempt to become an industrial nation. Colonization has been neglected. Canada was built up, not only in Quebec but in Ontario, by pioneers who were settlers on the land. During the last few years their descendants have given up farming and have been lured to the cities. The same thing will happen with regard to the fisheries. If the fisherman cannot make a living out of his occupation and is deprived of the assistance he should receive he cannot be blamed if he gives up the fisheries.

Ever since this country was discovered by Jacques Cartier, when, four hundred years ago, he landed first in the basin of Gaspé, the Gaspé fisheries have been noted as the best on the north American continent. I am sure that the minister, with the authority he possesses, with the youth that is his and that I hope will remain with him, with the intention to make good in his new department, will give the Gaspé and the north shore of the St. Lawrence fisheries the attention they deserve. I am glad that he is trying to cooperate with the local government so that an understanding will be brought about, because in the last ten years the Taschereau government has spent very large sums of money, in the counties of Gaspé and Bonaventure and on the north shore of the St. Lawrence, in establishing warehouses and refrigerators, giving assistance to fishermen to build their boats, and so on. The dominion government likewise has spent very large amounts on breakwaters, wharves and undertakings of that kind. Unfortunately we in the Gaspé peninsula have not the technical knowledge which is required. That knowledge can be supplied only by the dominion goverment. A request has been made for many years that a biological station be established in the peninsula of Gaspé. The late administration promised that this would be done. An investigation had been made, the report had been favourable, and the province of Quebec was prepared to send some of its young men to Europe to become better acquainted with the questions to be dealt with in that community. I hope the minister will see that from this amount provision is made for the establishment of that biological station. That will meet one complaint which I hear every day. The other one relates to the allocation of officials to educate the fishermen where fish can be found.

I come back to my main argument, that the four main needs of Canada, if the country is to continue the progress it has made in the past, are farming, stock raising, fishing, and mining. Industry comes after all that. If the others are not prosperous there can be no future for industry. We are not, per se, an industrial people. We are alongside an industrial nation, probably the most advanced in

the world, and it is out of the question for us to compete with that nation industrially. But we have in the northern part of this continent a land which is fertile, which providence has blessed with all that a country can produce. We can raise the finest grain and the finest cattle, and there are no better fisheries. I hear our friends from British Columbia complaining about the state of the fisheries in that province. When I spend my summers on the Gaspé coast I am often compelled, owing to the absence of local fish, to eat fish that comes all the way from British Columbia.

Mr. REID: Pretty good.

Mr. MARCIL: Very good fish of its kind. But you are far ahead in the fish market as compared with the people of eastern Canada. I do not know whether the seasons have favoured you more. They say that more fish is caught in one day in British Columbia than we can catch on the Gaspé coast in a month.

Mr. REID: That is true.

Mr. MARCIL: Although improvements may be due in British Columbia they are also badly needed on the Gaspé coast. I am sure that the minister will give this matter the attention it deserves.

Mr. MICHAUD: I cannot resist the pleasure of answering the remarks of my genial friend and neighbour, the hon. member for Bonaventure (Mr. Marcil). I know he is very much interested in the situation as it affects his constituents, because they are subject practically to two jurisdictions. In 1922, as is well known, an arrangement was made with the government of Quebec as a result of a decision of the privy council. Part of the supervision of the fisheries was allowed to be administered by Quebec, some reservations being made to the dominion government in respect of supervision, inspection and scientific development. Since then at different periods the people from the Gaspé peninsula have complained that the dominion government did not fully discharge its obligations under this agreement. Be that as it may, I wish to assure my hon. friend that the Department of Fisheries will try to discharge its obligations towards the people of that part of Quebec as fully as its duties towards fishermen in all other parts of the country over which we have jurisdiction.

I hope that during the coming season it may be possible to implement the promise which was made by my hon. friend and start on that biological station which has been mentioned for the lower St. Lawrence. The vote now under consideration naturally will help these fishermen, because there will be no discrimination against any class of fishermen, any producers of fish, whether in Quebec, Ontario, or the maritime provinces. All the fishermen of Canada will be treated alike; there will be a drive to open up markets for them, and I assure my hon. friend that there will be no discrimination against the fishermen of the Gaspé peninsula. I may say that since taking office I have been corresponding with the Minister of Fisheries of Quebec in an endeavour to avoid duplication in the expenditure of money by the province and the dominion and to see that this money is directed into the proper and most profitable channels. I think by close cooperation we shall succeed in helping the fishermen of the Gaspé peninsula, who are so well represented by my hon. friend.

Mr. KINLEY: To return to the matter of advertising, I agree with much of what has been said by the hon. member for Comox-Alberni. The hon. gentleman has a fine sense of what will appeal, and I have no doubt he would make a great writer of advertisements. However I think it only fair to point out that these advertisements appear in trade papers. They are read by the people interested in the fish business, and that appeal is to have them sell good fish, because if they do not sell good fish they cannot expect success in their business. To that extent such advertisements are good. I agree, further, that advertising is a highly specialized business, and I believe that many firms in the fresh fish business are in good condition financially and able to do some advertising of their own.

Subject to these reservations, Mr. Chairman, I think some advertising should be included in any fisheries program. We must not forget that because of an advertising campaign which made the people believe that oranges in the morning were good for the health, there are oranges on the breakfast table of almost every man in Canada who can afford them. The same was true of raisins a few years ago; a much greater market was created because it was pointed out that in some way raisins were good for the health of the person who ate them. In an advertising campaign in connection with fish we should stress the value of fish as a food, because it has splendid and special food value. You will get people to eat things if they think that by so doing they will improve their health; no greater appeal can be made. The fisheries association, I think, had as a slogan, "Every Day a Fish Day." I do not think they can put that over. On the other hand I think "Any Day

a Fish Day" is a good slogan. If in an advertisement you overstate your case or say something which is questionable, in order to produce the result you desire, your advertisement is faulty and is not worth the money you pay for it. A great deal of money is spent in advertising to-day. Sometimes we think it is wasted, but it is only preparing the ground, as it were, for what is to come later. I think the minister should be most careful in order to see to it that the advertisements of his department are intelligent; that they have the necessary appeal, and that they form only a part of the program which he has in mind for the sales development of our fisheries.

Mr. BENNETT: I regret that there is no Minister of Fisheries of the late government now in the house; perhaps, therefore, I am compelled to make some observations in respect to this matter. In the first place this expenditure is not new. Those who have some knowledge of the fishing situation suggested that we should spend a reasonable sum of money in advertising, and that it was also desirable to do what was discussed here this afternoon, that is, have demonstrations of the value of fish as a food and the manner in which it might be utilized in the homes of the people. I am told that these demonstrations had a good effect and that as a result there was an improvement in the sale of fish, though I only know what I have been told by the officials of the department.

The other question, that of advertising, I think might be dealt with in this way: First, what section of the community do you desire to reach, and second, are you prepared to maintain your advertising? Success in advertising may be summarized, according to my observation, in two words: More advertising. In other words, if it is done spasmodically it fails; if it is continuous and persistent it will succeed. Apart altogether from the mechanical attractions of the advertisement, and matters of that sort, I am directing my remarks only to the question of how you can make advertising succeed, and so far as I know the only method by which it can succeed is by more advertising. When the hon. member for Comox-Alberni was referring to the advertising of Pears soap I think probably he realized that the expenditure for that advertising ran into hundreds of thousands of dollars per annum. Take some well known proprietary articles that are sold all over the world; probably it will amaze hon. members to realize that in many instances these advertising expenditures run not to hundreds of thousands of dollars but to millions of dollars per annum. The appropriations made for that purpose are now based upon recognition of the fact that successful advertising means more advertising; that it means continuity; that it means permanency, and that you cannot possibly succeed by a spasmodic effort.

We did not feel that we were in a position to carry on that continuous advertising which we knew was necessary for success. In the first place, I am sorry to say, the idea did not make a very great appeal to those who produced the fish. They felt that the money available should be utilized for another purpose, that mentioned by the hon. member for New Westminster the other day. In connection with the expenditure of this relatively large sum of $200,000, having regard to our usual votes for matters of this kind, I think the minister will learn by experience that if he could assist in creating a continuous movement of fish by express to the cities of the central part of Canada, so that shortly after they leave the sea they are available for consumption, he would be performing the greatest possible service for both the fishermen and the consumers of fish in Canada, because there is nothing worse than bad fish. I do not want to say anything that would in any sense discourage people who buy and sell fish, but the truth is that those of us who were born by the sea and go to the far west find it almost impossible to use fish, other than the local product, namely whitefish or goldeye, except dried fish, or halibut which is a wonderful fish coming from the Pacific ocean. I am leaving out canned fish altogether. We are now able to take a fish and coat it with a thin glazing of ice, and in that form it is shipped to the United States and to Ontario markets. This ensures its being received in almost as fresh a condition as the moment it left the sea.

I am satisfied that if the minister will during the next few months utilize a portion of the money at his disposal for the purpose of bringing fish from the maritimes into the great cities of Montreal and Toronto and even this city of Ottawa he will find that the result will be worth the effort, because I am sorry to say that we do not get in this part of the country the best fish that is available. I put it just in that way. We get excellent cured fish. The old Digby chicken of my boyhood days is no longer available in that sense, but we still get smoked fish of first-class quality, and the fillets that are cured in Nova Scotia and on the New Brunswick coast as well and that come to us here are excellent. The findon-haddie or finnan-haddie

as it is sometimes called, although it comes into this part of the country in excellent condition, is not fresh fish. How you are going to get fresh fish into this part of the country except by giving some assistance in transportation, I do not know. On the prairies the demand for Pacific coast fresh fish at some times of the year is very great, because our eastern fish, owing to freight rates and other conditions, does not go to the west at all except in a cured state. Fresh fish from Vancouver goes to all the prairie markets in first-class condition for a limited time. Of course if the fish stays long in the ice-box the quality begins to deteriorate and there is a point at which the fish cannot usefully be kept longer, unless it comes encased in a film of ice as I have indicated. The salmon from the Pacific coast comes to Winnipeg, Calgary and Edmonton, and excellent whitefish is received from the lakes. The halibut upon which western Canada entirely relies is mostly from the Pacific; very little comes from any other source because it is too far to ship it from the Atlantic. It is of excellent quality, and by the use of ice it keeps longer than most fish. To some extent we are better off in the prairie sections than they are in the communities here with respect to getting fresh fish.

When the hon. gentleman speaks of educating the people of European countries to the use of fish I should like to point out that this is a little like taking coals to Newcastle. They know more about the use of fish than we do; they are Catholics who practise their religion and in Lent and Advent there are two days in the week when they use fish entirely; they have been brought up to that for centuries. They know its dietetic value and food value and are familiar with it in every way. The difficulty has been that they are not in a position to send their money abroad to buy fish. They have imposed restrictions by tariff and otherwise to prevent importations, not only of fish but of other commodities, except on payment of duties on a scale that is almost prohibitive. For the fish they used to buy from us, the dried codfish and other forms of dried and salted fish which they used to get in large quantities, they have substituted other fish, not, according to my judgment from observation of reports of the department and otherwise, because they do not wish to utilize our fish if they could, not because in Cuba they have not a clear appreciation of the value of our salted and dried codfish and other varieties, our hake if you will, but because they have been in recent years practising an economy—shall I say an economic theory; perhaps that will suit some better than others—that results in their keeping as far as possible the money they have in their country from going abroad to purchase fish or other goods.

A few years ago when we appropriated a couple of hundred thousand dollars for advertising in Great Britain and continental European countries it was thought that it was a very large sum; comment was made on the amount. May I point out that we have trade commissioners in all these countries, and if the minister desires to use that money to the best advantage he will confer with his colleague the Minister of Trade and Commerce (Mr. Euler) and arrange with him that certain sums of money may be made available for advertising in the sections in which these trade commissioners are carrying on their activities. In South America, for instance, the trade commissioners could use a little more money, because the trade and commerce department has a limited fund available for that purpose. But the moment the two unite their forces and the Minister of Fisheries is able to supplement such moneys as the trade commissioner in one of these south American countries has, telling him that this money must be devoted entirely to propaganda for the sale of fish, I think the minister will find that the results will be commensurate with his efforts. But if he starts on his own, if I may use the expression, with the theory that he can carry on this propaganda and get results, I tell him that he is foredoomed to failure. Our trade commissioners have very effectively—true, very slowly—made for themselves excellent positions in the countries in which they carry on their activities. They are not consuls; they suffer to some extent from that fact; they have no governmental position in the diplomatic sense of the term. But they have become known in every part of the world; in the orient, in India, South America, South Africa, the West Indies, you will find our trade commissioners doing most excellent work.

I suggest to the minister that he should confer with his colleague and supplement his meagre funds from this appropriation with the distinct understanding that the money thus provided by the Department of Fisheries is to be used for fish sale propaganda only and for no other purpose. I think he will find the results worth while, because may I say that even in departments of government there is not wholly lacking that desire to be responsible for expenditures of parliamen-

tary appropriations to the exclusion of anyone else. Human nature does not cease to manifest itself in the same old way merely because hon. gentlemen happen to be ministers of the crown. The tenacity with which you will find ministers clinging to the prerogatives of their office when it comes to the expenditure of public moneys is one of the memories that those who have been responsible for government will always carry with them. Human nature is not the least bit different because it happens to sit to the right of the Speaker to-day, and next year to his left. If I suggest to the minister that by cooperation with the Department of Trade and Commerce he will accomplish his objective, I think at the end of his term—and the end always comes, whether the time be short or long—he will look back with some satisfaction to an achievement which at the moment he might not have thought gave him the glory —I am using the word in no offensive sense—that should accrue to his patriotic zeal to increase the sale of fish; he will look back to an accomplishment and an achievement that will give him satisfaction although it has been brought about by cooperation with another member of the administration with which he is connected. I think all of us know something about that. And if cooperation and teamwork are applied in this case in connection with this substantial item, the results will be satisfactory. I think I can almost hear the language that was used in days gone by when a like sum was made available for propaganda work in Great Britain, and my very busy and very earnestly engaged friend from Vancouver Centre, in the multitude of his reminiscences and recollections may be able to recall some of the observations of days not long since past.

I wholly agree with what has been said by the two hon. members who preceded me, and I assure the committee that this money, large though the amount may seem to be, is not too large to carry on the propaganda work throughout the country, especially if we are going to do something to assist in the domestic consumption of our fish and to make it easier to move fresh fish from the seaboard of the Pacific to the prairies and from the Atlantic coast to the central cities of Ontario and Quebec.

Mr. McIVOR: When the Minister of Fisheries is advertising I hope he will not forget to advertise the best fish in Canada, namely the lake Superior trout. The hon. member for Comox-Alberni was right when he said that if you have a good article it will advertise itself, if it gets a start. I would suggest some advertising for lake Superior trout. First, get a picture of a trout, because it is always a clean-looking fish, and then place under it the words, "If you get one bite even though it may be a little high"—and I do not mean price—"it always has a flavour which calls for a little more." I hope my suggestion will be considered.

Mr. MacINNIS: I do not wish to prolong the discussion, but I should like to give a word of advice to the minister in connection with advertising. I hope he will not spend too much in advertising fish. I offer that advice because I believe that money spent in advertising in any case is that much money wasted, and is also a waste of effort. Advertising arises out of competition, and if the person who advertises is able to sell his product this means, in a limited market, that the person who sells a similar product is not able to make as many sales. In my opinion, the best way to promote the consumption of fish in Canada is to lower its price and to make it available to people with only a limited amount of money to spend on foodstuffs. If hon. members have analyzed family budgets according to incomes they will have found that families with low incomes spend a greater proportion of them in the purchase of food than do families with large incomes. This fact indicates that expenditures on foodsuffs are limited, and consequently cannot be greatly increased by advertising.

Like the hon. member for Fort William I should like to put in a good word for British Columbia sockeye, and some other good fish we have in British Columbia. I know, however that if people eat British Columbia sockeye they will not eat the trout which my hon. friend would like to have advertised. If they eat trout they cannot eat the various kinds of fish caught along the Atlantic coast. If the government embarks on advertising schemes we may find a condition where the Minister of Fisheries may have an appropriation for advertising fish and the Minister of Agriculture may have an appropriation for advertising beef. The Minister of Agriculture may want to advertise his product to encourage us to eat more beef for the benefit of the farmers in western Canada.

The fact remains that what the people of Canada need is not to know that certain foodstuffs are available but rather the means to buy them. A few years ago I read, in a monthly publication of the Department of Fisheries, the name of which I have forgotten but which the minister may remember an article which described the value of the lobster as an article of food. The article

went on to state that after many experiments it had been learned that after one had eaten lobster the flow of gastric juices in the stomach was accelerated and that as a result digestion took place more easily than if lobster had not been eaten. That is all very fine; most of us like to eat lobster, but, again, most of us never have any of it.

An hon. MEMBER: Why?

Mr. MacINNIS: Because we have not the price.

Mr. POULIOT: Do not eat the claws; they are bad for the stomach.

Mr. MacINNIS: I know. I saw lobsters long before I saw the hon. member who has just spoken. I appreciate the fact that lobsters are good to eat, and it may or may not be true that the eating of them accelerates the flow of gastric juices. I suggest, however, that along with the acceleration of the flow of gastric juices we need something to accelerate the flow of money into the pockets of our people, and if both these objects could be accomplished we could help the lobster industry immensely. But until we have that condition there is no need to advertise, because the amount of money being spent on advertising to a great extent will be wasted and will not get us anywhere.

I had one other word to say, and that was to express my appreciation of the few observations of the hon. member for Comox-Alberni with reference to cooperatives, and his suggestion that the minister should get in touch with the cooperative fishermen in British Columbia to ascertain their ideas as to the best ways in which these moneys could be expended. I had in mind the cooperatives in British Columbia, but, I think, more particularly had I in mind the cooperatives in Nova Scotia. I hope the minister will take that matter into consideration.

Mr. BENNETT: Before passing to the next item may I say that before I sat down I should have said that probably hon. members of the committee had observed that as a result of a visit to Nova Scotia made by the Moderator of the United Church, and a close examination of the cooperative scheme or cooperative efforts as applied to fishermen he gave an interview in the press. He is a keen student, and believes that the St. Francis Xavier scheme as it has presently been launched may be the economic salvation of the fishermen of Nova Scotia, and in his statement, which I commend to hon. members, he is not unwilling to suggest that the possibility of the application of the scheme in a larger way to other parts of Canada and to other industries might be most beneficial. I had intended to mention it, because I believe the minister will find it worth while to look into the matter. The Rector of St. Francis Xavier university is a very diligent student, and those associated with him have given a tremendous amount of effort to this matter. I believe that it must be of extraordinary merit to warrant the high commendation expressed by the Moderator of the United Church.

Mr. MICHAUD: First, I must thank the leader of the opposition for the valuable and constructive advice and suggestions he has given the committee and me this afternoon. On this point may I say that ever since I have taken charge of the department I have considered it my duty to look at and to study cooperatives as carried out under the scheme inaugurated a few years ago by the extension department of the St. Francis Xavier university of Antigonish county. Personally I am thoroughly convinced that it is the best method that has so far been suggested to raise the social standard of these people, and the movement has received every encouragement that the government was able to give it through the department. It is intended to spread its activities all over the maritime provinces during the present year.

Mr. CAMERON (Cape Breton): Mr. Chairman, I have no desire to prolong the discussion on this item but I desire to make this statement with regard to the reference of the leader of the opposition to the cooperative movement sponsored by the St. Francis Xavier faculty. In the riding which I represent I have before me a picture of two communities where the fishermen who for some time were on relief have been taken off relief entirely through the splendid work of those in charge of the cooperative enterprise in those two small districts, and last summer, besides taking the men off relief, they were able to declare a small profit at the end of the season. I believe the minister cannot find a better outlet for the application of a portion of this vote than by getting in close touch with those responsible for the cooperative movement in the fishing villages in the different communities where that cooperative movement began. Although I did not read the interview referred to by the leader of the opposition, I can give first-hand testimony to the efficacy of the movement in the riding I represent.

Item agreed to.

DEPARTMENT OF LABOUR

Projects already undertaken—
Amount required to provide for agricultural settlement and resettlement, $500,000.

Hon. NORMAN McL. ROGERS (Minister of Labour): Mr. Chairman, this item covers the amount required for agricultural settlement and resettlement. Certain commitments have already been made under existing relief settlement agreements with the provinces. This vote is designed to meet those commitments and also the anticipated amount required for further settlement under the existing relief agreements.

Mr. HEAPS: Would the minister explain why a vote of this kind comes under the Department of Labour and not under the Department of Agriculture?

Mr. ROGERS: The answer is that in the experience of the late administration with the relief problem this was found to be a satisfactory and economical means of affording relief to those who had agricultural experience and were unemployed. It is a tripartite arrangement through which contributions are made by the dominion, the provinces, and the municipality through which the settler is located.

Mr. HEAPS: It seems incongruous that a matter of this sort, which after all has to do with agriculture—putting men back on the land—should be in charge of the Department of Labour. I assume the work of the department would simply be to take men from the cities and put them on farms, but then what? What happens to the individual? Is there no department of the government that takes care of the people after they are put back on the land? Would it not seem logical that they should come under the Department of Agriculture, which through its experts and technicians could take an interest in and assist those who are settled on the land?

Mr. ROGERS: I think I should bring to the attention of the hon. member and the committee that in working out the details of the relief settlement schemes the Department of Labour has had from the beginning the assistance of officials of the department of colonization of the dominion government and also of the colonization branches of the Canadian National Railway and the Canadian Pacific Railway. That is to say, there is a general advisory committee composed of representatives of the departments concerned and of the colonization branches of the railways. In each province there is also an advisory committee. I quite agree with my hon. friend that supervision is a very important feature in the success of any scheme of this kind, and we propose to see to it that supervision is made as effective as possible. I think I have given my hon. friend an adequate explanation of how this particular form of settlement came under the Department of Labour. It is associated with the relief problem.

Mr. HEAPS: How many have been settled under this particular scheme, and what has the cost been?

Mr. ROGERS: I might place on Hansard a table which will give by provinces the number of those settled. The actual cost of settlement in each case will be found in the report of the commissioner of unemployment relief tabled in the house a few days ago The table is as follows:

Relief Settlement Plan

The numbers of settler families and the total numbers approved under the relief settlement plan reported by the provinces as at March 31, 1936, are shown in the following tabulation, which also shows the numbers who have left the land subsequent to approval, and the numbers who are still on the land.

| | Approvals | | Abandonments and cancellations | | On the Land | |
|---|---|---|---|---|---|---|
| Province: | Settler families | Total individuals | Settler families | Total individuals | Settler families | Total individuals |
| Nova Scotia | 341 | 2,140 | 61 | 370 | 280 | 1,770 |
| Quebec | 976 | 6,005 | 179 | 1,060 | 797 | 4,945 |
| Ontario | 606 | 2,990 | 142 | 707 | 464 | 2,283 |
| Manitoba | 793 | 3,786 | 109 | 488 | 684 | 3,298 |
| Saskatchewan | 939 | 4,604 | 179 | 871 | 760 | 3,733 |
| Alberta | 651 | 3,060 | 170 | 747 | 481 | 2,313 |
| British Columbia | 52 | 285 | 9 | 50 | 43 | 235 |
| Totals | 4,358 | 22,870 | 849 | 4,293 | 3,509 | 18,577 |

Mr. MacNICOL: Do the figures in the first line under the heading Abandonments and Cancellations mean that 61 of the 341 settler families have abandoned their farms or cancelled the arrangement?

Mr. ROGERS: Yes.

Mr. BENNETT: The figures in the table have nothing to do with farm placements?

Mr. ROGERS: No, that is quite distinct from this. Perhaps I might give the totals for the entire dominion. The dominion disbursements in Nova Scotia to date is $42,-276.09, and Quebec, $173,699.34. In Ontario it is $102,636.76; Manitoba, $124,135.94; Saskatchewan, $141,963.07; Alberta, $111,544.79; and British Columbia, $9,824.05. New Brunswick has not entered into the relief settlement scheme.

Sir GEORGE PERLEY: How does the minister arrive at half a million dollars for this work?

Mr. ROGERS: It is for commitments under agreements entered into under the 1932 and 1934 legislation, $250,000, and an estimate of what will be contributed to the settlers under the 1936 agreement, $250,000.

Sir GEORGE PERLEY: I take it that this amount is really a guess or an estimate, that the minister has made it large enough so as to be sure to have sufficient, but that he hardly expects to spend all that is here. I want to get at the idea behind it, because many of these items are blank cheques and we have been accused of giving blank cheques through the years for the whole amount. I take it that the minister puts in this half a million so as to be sure to have sufficient to carry on the work through the year but that he really does not expect to spend it all.

Mr. ROGERS: It does represent as careful an estimate of requirements as we can arrive at.

Sir GEORGE PERLEY: With a margin.

Mr. ROGERS: I think it is good practice to allow a margin. There is another item to deal with other projects that may be undertaken later.

Mr. POULIOT: This is a very important item. With regard to colonization three things should be considered: first, the selection of lands; second, the selection of settlers; and third, good roads leading to the settlement. The trouble with colonization up to now is that there has been no definite plan, and in the province of Quebec some settlers have been sent to suitable places and others to the rocks. I have had to complain very often of the way in which the matter has been arranged. One of my complaints is that the gentleman in charge, who apparently is doing a lot for colonization, does not know the first word about it. I refer to Mr. Laforce of the Canadian National Railways. I wonder what his training is. I have mentioned his name often. His idea is to put all the unemployed in Montreal in a bucket and scatter them over the country; that is his understanding of farming and of resettlement. It is an obvious absurdity. If we take the classification of the unemployed, as given by Mayor Houde after a careful study made under General Panet, by fifteen men working for three weeks in Montreal—I will show the minister the actual list—not more than 53 out of a total of 44,500 heads of families who are unemployed in that city designated themselves either as farm hands or as gardeners. Think of that—53 out of a total of 44,500. Every member of parliament is receiving stencilled copies of stupid lectures which are given throughout the province. This expenditure should be curtailed right away. That gentleman has succeeded in getting himself elected president of St. Jean Baptiste Society of Montreal. I do not understand it; it puzzles me. And here he is telling people to go back to the land, mother land. In principle the idea is very good, but first of all there must be a concrete and definite plan. Moreover, though I have the highest regard and respect for the minister—and I have said on many occasions and repeat now, he is doing very well—this work should be done by the provinces themselves through a general federal subsidy. It is always bad to have two masters in any undertaking, and now there are more. There is the Quebec Department of Agriculture, there is the federal Department of Labour, there is another department under another minister, looking after soldier reestablishment to a certain extent, and there are also the colonization departments of both railways. These people all meet together and while some of them have sound views, others know nothing about it—and they are the people who speak most. I have no personal grudge against the gentleman referred to, but in my humble opinion so many settlers have been put on the land under false pretences that it is time to put a stop to it. There are good lands which are abandoned. I wonder whether the policy which will be put into force will be to purchase the good lands that are abandoned or about to be abandoned and to put new settlers there. That is the first question I ask the minister. I shall have something to say afterwards.

Mr. ROGERS: We are dealing here with existing relief settlement schemes; it is perhaps not colonization in the strict sense. As for the suggestion that abandoned lands should be purchased for the purpose of colonization, it is one which I think merits consideration. Not all the provinces have come in under the relief settlement scheme. Certain provinces have placed before the dominion government proposals respecting colonization and have requested financial assistance for carrying out such schemes. I may say that, so far as the selection of those who go on the land under these relief settlement schemes is concerned, the province shall be responsible for the administration of relief settlement, including the location and inspection of suitable farms and the selection of suitable farmers who will be physically fit, and qualified in other respects. The province shall be responsible for the disbursement of funds to the families assisted; the expense of such administration shall be paid by the province, and no part of the cost of administration and supervision shall be deducted from the maximum amount of $600 set aside for the subsistence and settlement of each family. In other words, the dominion has cooperated with the provinces and with municipalities in placing on agricultural land those families who would otherwise be on relief. Of course the hope behind it all is that those who are so placed on the land will ultimately become self-supporting. It is too soon as yet to pass a final verdict upon the success of the plan. I may say, however, that the percentage of those who are remaining on the land is encouragingly high. In the province of Quebec, for example, eighty-two per cent of those who were settled under these schemes are still on the land, and the total for the dominion is over eighty per cent.

Miss MACPHAIL: Over how many years?

Mr. ROGERS: This was begun in 1932.

Miss MACPHAIL: It is not long enough.

Mr. ROGERS: No, it is not long enough.

Mr. POULIOT: I will try to be as brief as possible in what I have to say. All that matter of cooperation and understanding is pretty hard to comprehend. I believe in one head to direct the whole thing. I have already said so to the previous Minister of Colonization in Quebec, that there should be a boss of this colonization scheme; he should be in either Ottawa or Quebec, and there should be a definite understanding about the matter. In referring to Quebec I speak at the same time of all other provinces. One boss should be responsible for the whole thing, in order that when we speak of it in Ottawa we shall not be told that it comes from the provinces, and when it is spoken of in the provinces the people there cannot be told that it comes from Ottawa. It takes one leader to organize such a great movement.

The matter of the selection of lands has been largely overlooked. For instance, some men have been taken from cities where they were unemployed and were receiving relief, and transferred to the middle of a forest, where they are still receiving relief, and the day is not in sight when these men will be self-supporting.

When the government is submitting to the committee an item of $500,000 for this purpose, it will surely agree with me that this is done with a view that sooner or later the men who take advantage of it will be self-supporting. In Quebec—and I do not speak of the other provinces because I do not know what is going on there—only a small fraction of the settlers who have been put on the land in the last year expect to be self-supporting within a short period of time; all the others have to live on what they receive from the government, and they lean on the government. I do not blame the government for supporting them. The governments have a responsibility to these people. They told them that they were bringing them to the garden of Eden; that they were leaving those dirty cities to move into the clean country where they could breathe fresh air and could bring up their children under much better conditions than were possible in the towns. This was said everywhere; and these men and these good women and their children left the cities, where at least they were living in civilization, and were sent away into the middle of the forest, at times on lands which were absolutely unfitted for cultivation.

In my own constituency timber limits have been granted on lands which were not classified before. The lumber companies have been granted the right to cut timber in very good farming districts, although the land was not divided before into lands for cultivation and forest reserves, and therefore some farmers, having been put in forest reserves, on lands unsuitable for cultivation, after all the trees had been cut, found it impossible to get a living. They did not have sufficient timber to build their houses and barns; certainly they had not enough to trade with; they had just enough to heat their stoves. This was a great mistake. Every one who is familiar with colonization knows very well that the old-time settlers used to live for a long time

on the little money they were able to make from the sale of wood. In the winter they were busy cutting trees, which they sold later on, and with the proceeds they were able to help themselves. But now things are different.

Of three main points in the organization of new farm settlements, the first is to have thoroughly suitable land, in order that the new settlers are not placed, a little like St. Simeon Stylites, on a kind of column where it is impossible for them to reach fertile soil. One must visit some of the new settlements to know the hardships these people are suffering because of bad soil. They were brought there by those great geniuses who now lead the movement and tell the people of Montreal and other cities of Quebec: Go back to the land, to the mother land which will feed you so well. Well, sir, it is time to stop. It is time to remove those who are responsible for the mistakes of the past. If what they have done hitherto is all wrong, do you expect them to do anything good in the future? The future must be judged by the past, and I speak now as a French-Canadian from Quebec, because I love these people and I do not want them to starve on the soil, when that soil is supposed not only to feed them but to help them to feed the country at large. This is the first point, and one must be very cautious about it, because at this time there are very few farmers who can say that they make both ends meet. Many farmers living on fertile lands cannot make a living; therefore how can new settlers do so when they live on rocks? They are not birds.

Miss MACPHAIL: They do not know how to farm.

Mr. POULIOT: This is the first point. Let us have good lands for farms. For instance, in my constituency—I refer to it because the same thing occurs anywhere else where colonization is brought about—there is a very rich part, that which surrounds lake Témiscouata. It is an old seigneury two leagues wide on both sides of the river Madawaska and lake Témiscouata. There are some settlers there. The other lands have not been sold by the owners of that property. They are the best lands; they are easy of access, and instead of farmers' sons being given an opportunity to live there, they are required to migrate far away where they have been reduced to eating root soup and maple leaves. The maple leaf is all right as an emblem to wear in one's lapel, but not to eat as a food. That is what has occurred. Very often this matter has been brought before the people, and they ask why these farmers' sons are not settled as far as possible on or near the old homestead, in order that the father may give good advice to his children and look after them. We are in a civilized country. Moreover I believe the rules of nature should be followed in colonization. Take the tide; only in the bay of Fundy does it come up suddenly. A normal tide comes up little by little, and colonization should be carried on in the same way. Colonization should start with the first range of a township, and only after all the lots on that range are conceded should the second range be opened. That would be much better, because the community would be much larger and the people would be grouped together for the upkeep of roads, for school purposes, for all the needs of the community, and it would be much easier to make progress under such conditions. Therefore I hope the matter of the choice of the lots will be considered very carefully. Mistakes have been made by farmers who had lots patented which they sold to lumbermen. This created a hole in the middle of the community, and after the lumber was cut off it was impossible to have anything done with that land. It was sold for municipal taxes and was of no value to anyone. These matters should be considered very carefully, and those who are responsible for the mistakes of the past should be severely punished; certainly their advice should not be asked in future.

Then, sir, there is another point which is very interesting. A selection should be made of the farmers. You cannot expect a man who has been in a machine shop all his life to go on the land and be a good farmer from the first. That is impossible. First there is the natural inclination for farming which should be considered. A man should have the disposition to settle on the land for good and not to live there just as a matter of expediency while receiving a grant from either the provincial or the federal government. The men who go on the land must have the spirit of the old pioneers; they must understand the sort of life they will have to lead and the sacrifices they will have to make before they can become as prosperous as the farmers in the older communities. When we hear from some people that this work of settlement is doing well we must not overlook the fact that those who make such statements are the people who were responsible for putting men in the wrong places. They justify their jobs by saying everything is going well. That is not the truth. Hon. members would be surprised to learn the number of people on farms, as well as fishermen, in every part of the country, who are in receipt of relief of one kind or another.

There is a real procession of these men coming to the government for assistance because they are in need, and it is very sad.

In some cases politics have been played in the giving of relief, and that is a shame. I understand that it is very hard for the country to give any more in the way of relief than it is giving now, but at present the relief given is just sufficient to enable a man and his dependents to survive until better times come. Surely it is only a matter of humanity that every man who is in need, whether he is a gentile or a Jew, an old man or a young man, a Liberal or a Conservative or a C.C.F. man or a member of the social credit group, should have enough to live on, enough food for himself and his family and enough clothes. But, sir, when you go through those settlement districts you see people who are underfed; you see tall children who are like the stems of leaves, just skin and bones. They look miserable; they are miserable, because they are not fed. Infantile mortality has not decreased during the last few years because in some settlements the children of some of these settlers are not fed milk or the substitutes for milk; they are fed the sauce from pork and beans. That is almost incredible, but I have it on very good and reliable authority that this is the case. That being so I think it is time for us to see to it that the condition of these people is improved. On that soil they cannot even cultivate what is necessary for their own maintenance, and that is also almost incredible in a country such as this with so much fertile land. Those who are responsible for this situation try to keep their jobs by saying these men have been put in the right places, but that is not true. Those who make such statements should be fired right away; they should be put upon relief under the same conditions. That would be the law of retaliation; let them earn their livelihood just as the settlers do now. They would be the very first to write letters to this minister and that throughout the country complaining about their situation.

Then there is another matter which is most important. I refer to the question of roads. Some settlers have been placed in the middle of a forest, with no roads leading to their lots, and right now there are some roads that are so badly kept that it is impossible to pass over them in a car. During the campaign last year I went to visit a parish in my constituency back in the mountains, and it was impossible to get in with a car. All the cars had to stop half way up a hill, and I had to wire the Minister of Colonization in order to have that road repaired at once. It had been in that condition for four or five years. Those people are isolated. We need good avenues of communication between these settlers and the nearest progressive centres, and it is most important that this matter should not be overlooked. I say the roads should be built before the men are settled on the land. As it is now they have to hike through the forest carrying packs of food on their backs; they have to go far away by themselves and cut the trees and live a wild life until they can bring in their families. It is a shame, sir; it is no policy at all. I do not place all the blame on the federal Department of Labour, but there is a nigger in the woodpile somewhere, and that nigger should be found and executed. What has been said now is something that everyone who has eyes to see and ears to hear can observe while travelling through these districts. The men who are willing to go there are admirable Canadian citizens; they are of the same kind and class as the first pioneers who came to this country. They deserve every consideration; they should be helped, inasmuch as they can do something for the future, and because this government or any government has a responsibility towards them.

That being said, may I ask the minister what will be done with those who are to be settlers, or resettlers, next winter? I also take the opportunity to ask, although it is not under the same item but relates to the same thing, what will be done for the young men who will be employed as farm hands next fall after the work on the farm is finished?

Mr. ROGERS: As to the first question, what will happen to those who have come under this relief and settlement plan during the coming winter, as I pointed out previously the dominion government has entered into agreements with certain provinces by which subsistence is provided for those who have been settled on the land under these several agreements. In so far as the provinces have indicated their desire to go on with this relief settlement scheme the dominion government has signified its willingness to continue with its proportionate financial assistance towards that end.

I am bound to say that as I listened to my hon. friend I gathered the impression that he was referring not wholly to the relief settlement schemes as provided under this vote, but also to certain provincial schemes of colonization. Much that he said would be applicable to any scheme of settlement at this time. I think we all appreciate the difficulties in the way. I would like to impress on the committee however that those who are

settled on the land under these agreements go voluntarily. An effort is made to select them carefully—

Mr. HEAPS: How are they selected?

Mr. ROGERS: They are selected by an advisory committee which is set up in each province. On that advisory committee you will have representatives of the province and of the city and of the two railway companies.

Mr. MacNICOL: Are all the settlements made along the right of way of the railways?

Mr. ROGERS: They are made on crown lands for the most part.

Mr. MacNICOL: Why are the railways brought in as one of the three parties of the tripartite agreement.

Mr. ROGERS: Because of their experience in colonization. It was thought that the advice they might give to the Department of Labour in carrying out these schemes would be useful, and I am bound to say our experience has been that their advice has been most helpful.

Miss MACPHAIL: Are any practical farmers advising the department on land settlement?

Mr. ROGERS: Of course as far as the dominion Department of Labour is concerned, as I pointed out we do not deal with the actual administration of the settlement scheme; that is done by the province.

Miss MACPHAIL: With the selection of the farm and its location?

Mr. ROGERS: That is done by the province assisted by the advisory committees set up within the province.

Mr. TAYLOR (Nanaimo): Do I understand from the minister that all schemes are initiated by the provincial governments?

Mr. ROGERS: No. I think it would be more correct to say that this relief settlement scheme was worked out cooperatively between the dominion government and the provincial governments. It was looked upon as one means of reestablishing those who were on relief and who had had previous farm experience.

Mr. TAYLOR (Nanaimo): Then in the event that any man on relief wishes to go on farm land and develop a farm for himself, to whom should he apply?

Mr. ROGERS: It is done through the municipality.

Mr. TAYLOR (Nanaimo): The municipality in which he finds himself?

Mr. ROGERS: Yes.

Mr. POOLE: I understand the advisory committees also include members of the municipal council?

Mr. ROGERS: You have a series of committees, first what might be termed the national advisory committee, which meets from time to time in Ottawa; then a provincial advisory committee, and then the municipal.

Mr. POOLE: Is the minister aware that when the scheme was brought into effect two or three years ago, even while the scheme was in operation there were farmers returning from the land to the cities because they could not make a living on the land? The feeling was that the money contributed for this purpose would be better spent if it went in some way to encourage those already on the land to make a living there, some who had as much as a quarter century experience. It is true that many of those who went on the farms returned, not having had farm experience. It is equally true that the type of land on which they settled was such that they could not make a living on it. Has the minister considered whether it would not be better and more economical to find some means of reducing interest on the farmers' debts? It would be far more scientific than this, would it not?

Miss MACPHAIL: I enjoyed the speech of the hon. member for Témiscouata (Mr. Pouliot)—I cannot always say that but I say it in this case. I think the Minister of Labour must be aware that there are as many people being driven off the land as he can possibly be replacing on the land. It seems ridiculous that men and women who are familiar with agriculture and who love the land—and I think anyone must love the land, have a feeling for it, before he can enjoy country life or make a success of it at all—are being driven off through no fault of their own. That is happening in my constituency, and I suppose in every agricultural constituency represented in this house. All these people who are coming off the land are being piled on relief at one end while the minister is taking a few off the other end of the pile and putting them back on the land. The settlers put on the land in Ontario, I take it, have mostly been placed in northern Ontario. These people go into some new territory and try this thing that is called subsistence farming. That is a myth; there is no such thing as subsistence farming. In the days of the pioneers when they made what they wore, used tallow candles and

grew most of what they ate, and taxes were either non-existent or very small, subsistence farming was a reality. But now it just exists in the minds of people who colonize for the railroads, ministers and experts in the departments, it does not exist in reality. It is nonsense to go on spending money trying to achieve it. I venture to say that in ten years there will be none of these people on the land. Four years is no test. It may be that it costs less than to keep them in the cities, but it is a terrible ordeal for people who have been raised in the city.

Mr. ROGERS: But they make their own choice.

Miss MACPHAIL: Yes, but they are between the devil and the deep sea. They are choosing what seems to them the lesser of two evils. I have tried several times to have opportunity given to farmers' sons who cannot live at home because the farm will not support any more of them. They are trained farmers. They want to go and would even be able to pay a little to go on the land. There does not seem to be provision for that kind of person, yet we are making these collections from the cities. Just over the weekend I was talking to a man who knows a good deal about the conditions of these people in northern Ontario. He said it was appalling; that finally almost every one of the settlers placed in northern Ontario—possibly not under this scheme, but under some scheme—is coming under the Farmers' Creditors Arrangement Act, and that if it is going to do anything to save them it will have to be stretched a great deal. I should like to know from the minister where settlements in Ontario have been made, whether or not it is in northern Ontario. Is there to be any attempt to coordinate all the activities in land settlement?

Mr. ROGERS: First of all may I say that the bulk of those settled in Ontario under the relief settlement scheme were established in northern Ontario, but I am by no means certain whether these were the ones described a minute ago by the hon. member. We have not now before us a statement of the actual settlements established in northern Ontario, but that information can be obtained and I should be very pleased indeed to send it to the hon. member. May I point out that under this vote we are not embarking upon a new venture, but are simply meeting commitments under existing relief settlement agreements arranged with the provinces two years ago. They have been maintained up to the present time with the cordial cooperation of provinces and municipalities which have had experience under them. It may be true that at this time farming does not offer very attractive prospects to those on relief. At the same time I take it we are all familiar with what is involved in the term "real wages," and there are features of life in rural communities which I am sure are far more attractive than conditions surrounding families living on relief in some of our larger cities. Then, after all, there is the matter of inclination. My hon. friend has mentioned that some people moved from city to country and others from country to city.



Miss MACPHAIL: I was not talking about inclination. They were being driven off the farms in the country.

Mr. ROGERS: I am referring to those on the relief settlement scheme. There has been no coercion. They have entered these schemes as a result of their own inclinations, and as I said some time ago all we can do to-day is to conclude from these figures that the vast majority, some eighty per cent, of those who have gone out on farms under the relief settlement scheme have remained. I agree that may not be a final verdict, but I believe I made that point clear at the beginning of the discussion.

Miss MACPHAIL: I am not sure what the scheme is. Would the minister please tell us how long help is given after they settle on the farms?

Mr. ROGERS: Help has been given to them up to the present time.

Miss MACPHAIL: Any farmer could remain if he got help.

Mr. ROGERS: It is a form of relief.

Miss MACPHAIL: How much per year?

Mr. ROGERS: The figures before me show that it is $500 the first year and $100 the second year.

Miss MACPHAIL: Each year until the present?

Mr. ROGERS: Yes, until now. One province has made a request for assistance during the coming year as well.

Mr. POOLE: Does it not depend upon the size of the family?

Miss MACPHAIL: I have one more question. Does the minister know anything about the feelings of the municipalities into which these people move? May I say further that if they get $500 to begin with and $100 a year afterwards that certainly is not

subsistence farming. If the government would do as well for the people on the land who are working desperately to save their homes, if it would give $500 as an initial payment and $100 in following years, those people would be able to save their farms and would not have to go on relief. That is not subsistence farming; it is relief on the land, which is another matter altogether.

Mr. ROGERS: I have never suggested that this was subsistence farming. It is relief settlement. Naturally it is our hope that these people in time may become self-sustaining, but we have not had sufficient experience as yet by any means to suggest that that would be true of even the majority of families. They are still on relief.

Mr. POOLE: Would the amount given depend on the number in the family?

Mr. ROGERS: It is left to the provinces to determine how much shall be assigned. As I mentioned some time ago, the dominion government makes a pro rata contribution. The main provision of the agreement is that the dominion must make a non-recoverable expenditure of one-third of an amount not to exceed $600 per family, for the purpose of providing equipment and subsistence for a two-year period.

Mr. POOLE: That would mean that if at the end of two years the settlers cannot succeed on the farms the relief would be cut off, and they would have to go back to the cities?

Mr. ROGERS: Not necessarily. Where the provinces have brought to the attention of the dominion government the fact that those operating under the scheme are not self-supporting, and where requests have been made for further federal assistance, consideration has been given.

Miss MACPHAIL: Who buys the land, and who decides what land is to be bought? Who makes the payments on the land?

Mr. ROGERS: The land is not purchased under the settlement agreements. The selection is made by the provincial advisory committee.

Mr. MacNICOL: Perhaps I can give a little information in regard to this matter, if we are dealing with the same plan in operation along the North Bay-Cochrane road in northern Ontario.

Mr. ROGERS: I have not information as to the localities in Ontario in which the settlements are located, but I believe it is altogether likely that the district mentioned by the hon. member is the one in question.

Mr. MacNICOL: Just to satisfy my own mind in this matter, two years ago I motored up to northern Ontario and while there called on eighteen farmers. These farmers were located along the North Bay-Cochrane road, and the majority of them were not far south of Cochrane. They were located within ten to one hundred miles south of that place. I talked to the women and men, and my memory is that from the Ontario government they were to receive $200 per year for a period of three years, totalling $600. Those I visited had small gardens from one to five acres in size around their houses. I can say that every family I talked to seemed more or less pleased. I came back from northern Ontario satisfied that at least for the present they appeared to be content. My real reason for going to northern Ontario was that I had read in the newspapers an account which indicated that certain families had come back and had made complaints about the way they were treated. Perhaps there were some who acted in that way, but I did not come in contact with any of them. I am anxious to know whether the families I visited are still up there, and some time during the summer months I propose to go north again to call on the same families. The information I received was that the Ontario government selected the families and made an effort to ascertain whether they had had a training in or had some knowledge of farming. My impression was that they certainly did not send out the ordinary city man who was unfamiliar with country life.

I quite agree that it takes a lot of courage to go up into northern Ontario and start farming on these lines. One of the difficulties was that there did not seem to be any place near where they could sell what they raised. It is quite a distance to Cochrane, and a long way to the mining camps south. Of course it is different with those who are situated near Kirkland Lake, Porquois Junction, and camps like that. One or two families that I called on not far from these mines told me that they could sell to the mining camps everything they raised. The members of one family in particular, living quite alone, were very well pleased. They seemed to be the only family in that section. There happened to be a golf course nearby for officials of the mining camps, and doubtless that particular farmer made a living.

It struck me that one of the handicaps in that kind of settlement was the lack of contact with the outside world after the sun went down. During the daytime they could at least see a lot and they were kept occupied, but at night in the sections I visited the people did not have radios, and when I came back to Toronto I asked the department what they could do to improve conditions along that line. Of course unless an electric wire was strung along the road they could not have electric radios. They might have been able to use battery radios, but the families that went north took little furniture with them, and whether or not they had radios before I do not know. But certain of these settlers were backed up by the different communities from which they left to go north. I think that East York, for instance, and some of the municipalities around there undertook to try to make conditions better for those who went from their community. Quite a number of people in the south could perhaps spare a radio for some family in the north. Certainly any family that goes to northern Ontario should be assisted in every possible way, and if after three years they still need further assistance I should be glad to support a vote which the minister might ask for to assist until these people really get on their feet. They all had small houses and were clearing small farms, and an occasional one, but not all of them, had a cow. In one community I visited there was only one horse for seven families. There was not such a lot to do, of course, because at the outset they had only from one to five acres cleared, and perhaps one horse could take care of seven families.

Those who have to do with this kind of settlement should keep in close touch with the settlers, because they are worthy people, and even after the three years have expired every effort should be made to keep them going. Many of them will make good. I found some of them working on the roads. They would clear what land they could, and then the Ontario government would give them work to do on the main roads. If they got paid for that, it would be of some assistance in providing income. Certainly I believe that both governments and all those connected with such settlement should make every effort to provide some kind of work by which the settlers can get a little ready money, besides having the opportunity to raise vegetables and whatever else they may require. I can say for northern Ontario that I never saw better patches of potatoes than I saw up there, and the same with other vegetables. I was surprised at the tremendous growth, because my impression before going north had been that the season was so short that vegetables that grow so prolifically in southern Ontario would not mature up there, but the settlers told me that while their season was shorter the growing season was hotter, and they did not anticipate any trouble in that regard. I know what trouble the minister and the department must have in doing justice to a scheme of this kind, but certainly anything that the department feels it is necessary to do to help out these settlers should be done.

[Mr. MacNicol.]

Mr. McIVOR: I would just like to say that in Fort William several rooms in the schools had to be closed because of this movement towards the land. I know of only one family that had to come back. I could give you a picture of a home that I did not have afternoon tea in but something better, and not home brew. This family had been on relief in the city of Fort William, but they went on the land. The father was delicate. Now they would not move back because they say they have what firewood they need, and all the milk they need; they grow their own vegetables, keep their own fowl and have all the eggs they need. They get an odd job that brings them in a little cash to buy what they call luxuries. These people would not go back to the city. Of course, it depends not so much upon the man as upon the wife who goes out into these settlements, and I pay this tribute to some of them who went out and slaved and self-sacrificed in order to make good. That is the kind of spirit that made Canada great in its early days.

Progress reported.

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

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## Thursday, April 30, 1936

The house met at three o'clock.

### RAILWAYS AND SHIPPING

#### CONCURRENCE IN SECOND REPORT OF STANDING COMMITTEE

Sir EUGENE FISET (Rimouski) presented the second report of the standing committee on railways and shipping owned, operated and controlled by the government, as follows:

The standing committee on railways and shipping, owned, operated and controlled by the government, begs leave to present the following as its second report:

Your committee has had under consideration items Nos. 426, 427 and 428 of the special supplementary estimates for the fiscal year ending March 31, 1937, and item No. 286 of the supplementary estimates for the fiscal year ending March 31, 1936, and approves of said items of the estimates.

Your committee has also considered provision for capital expenditures and debt retirements involving $9,959,000 which is to be provided by way of loan to the Canadian National Railway Company, and is covered by a resolution standing on the order paper of the house in the name of the Minister of Finance, and approves of same.

All of which is respectfully submitted.

Sir EUGENE FISET: Mr. Speaker, by leave of the house I move that the report be concurred in. May I explain that the reason I am moving concurrence is that the committee has been informed by the Department of Finance that certain commitments will have to be dealt with either to-morrow or the beginning of next week.

Hon. H. A. STEWART (Leeds): Mr. Speaker, the items referred to in this report were before the standing committee on railways and shipping to-day. If the resolution before the house is now adopted, I assume that closes the matter as regards discussion in committee of the whole house, although these items referred to in the report appear in the special supplementary estimates. The understanding in the committee was, I think, that that should not be the case, but that we should have the right here to discuss these items.

Sir EUGENE FISET: I think my hon. friend is mistaken. The supplementary estimates as far as railways are concerned were submitted to the standing committee at the special request of the right hon. the leader of the opposition (Mr. Bennett), who did not want the resolution on which the bill will be based to be considered in the house before the committee had considered these supplementary estimates. The fact that these estimates are being reported to the house does not in any way prevent their discussion in committee of the whole. This is simply a compliance with the request of the leader of the opposition.

Mr. STEWART: The request of the leader of the opposition was, as the chairman of the committee (Sir Eugene Fiset) has said, that these items stand over for consideration by the standing committee, but it was understood that that should not close off discussion in committee of the whole of the merits of these items.

Sir EUGENE FISET: It does not.

Mr. STEWART: That is what I wanted made clear.

Right Hon. Sir GEORGE PERLEY (Argenteuil): I think we should have the assurance that the adoption of this resolution and the report of the committee, which seems to be quite in order, will not preclude discussion of the matters referred to when the estimates are under consideration in committee of the whole.

Sir EUGENE FISET: May I again say that assurance was given by the Minister of Finance (Mr. Dunning), when the resolution was introduced, that the fact that these estimates were being submitted to the standing committee would not preclude discussion in the house in committee of the whole.

Mr. STEWART: That is all that I have been asking for.

Motion agreed to.

## BUSINESS OF THE HOUSE

### THE BUDGET—SUSPENSION OF STANDING ORDER 28 FOR SITTING OF FRIDAY, MAY 1

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, in order to ensure your honour being in the chair to-morrow when the Minister of Finance introduces his budget, I would ask the house kindly to give consent to the adoption of the following resolution:

That the provisions of standing order No. 28 respecting the committee of ways and means be suspended for the sitting of Friday, 1st May, 1936.

Motion agreed to.

## CRIMINAL CODE

Mr. T. L. CHURCH (Broadview) moved for leave to introduce Bill No. 57, to amend the criminal code.

He said: The object of this bill is to direct the attention of the house to one of Canada's most serious scandals, the great loss of life at level crossings and on highways. I hope hon. members will read the provisions of the bill as set out in the various sections. The first section deals with stopping at level crossings other than tramway crossings or those which are protected. The second section deals with driving while under the influence of alcohol or narcotics, and I propose to substitute the law of England for the present statute. Section 3 deals with racing and cutting in, two of the main causes of deaths on the highways. The bill provides that a person who causes death by culpable negligence shall not drive a car for two years, and there is an additional penalty provided. Under section 4, on the trial of any female person by a jury one-third of the jurors shall be female persons duly qualified on the same basis as male jurors. Then the last clause provides that on the trial by jury of any person for an accident causing death or injury, in every case where a

true bill has been found after there has been a committal by a magistrate the judge shall leave the case to the jury.

Motion agreed to and bill read the first time.

## QUESTIONS

(Questions answered orally are indicated by an asterisk.)

### *CHATEAU LAURIER HOTEL EMPLOYEES

Mr. HEAPS:

1. How many persons are employed at the Chateau Laurier hotel in Ottawa?
2. How many males and how many females?
3. How many are receiving less than one hundred dollars per month?
4. How many are receiving less than sixty-five dollars per month?
5. How many are receiving less than forty dollars per month?
6. Of those receiving less than sixty-five dollars per month, how many are married?
7. Have any of the employees of the hotel during the past six months been the recipients of public relief; if so, how many?
8. If such employees were in receipt of public relief, what were the salaries or wages of same?

Mr. HOWE: Mr. Speaker, I may say that this question has been referred to the management of the Canadian National Railways, who have replied that it is against the policy of the railways to answer such questions. They point out that an answer to the specific questions asked would not give a true picture of the situation, as a great part of all wages in hotels is made up of gratuities. However, I did ascertain from them definitely that the wages paid at the Chateau Laurier are equal to if not better than the wages paid at any other hotel on the Canadian National system or any competing hotel of which they have knowledge. I also ascertained that the provisions of the Ontario fair wage law are being fully complied with.

Mr. SPEAKER: Answered.

### PRACTICES OF CANNING COMPANIES

Mr. STEVENS:

1. Is it a fact that it is customary for canning company corporations to make contracts with growers in the spring of the year for the delivery of their products to the cannery at a contract price?
2. If so, what was the prevailing price paid to the growers for tomatoes for the season of 1934, and for the season of 1935?
3. What is the figure being offered by the canners for the season 1936?
4. Has the agriculture department, or any other department of the government, been keeping in touch with and advised of the activities of the canners this year in their preparation of contracts with growers for the delivery of vegetable and fruit products?
5. Did the bureau of statistics request the filing by the canning companies of the "carry over" of canned goods stocks from one season to another?
6. What was the "carry over" of canned tomatoes for the year 1934, and for the year 1935?
7. Did the canning corporations request the withdrawal of this demand by the bureau of statistics; if so, who made the request?
8. Has the government authorized the discontinuance of the filing of statistics regarding "carry over" in the canning industry?
9. Have representations been made by growers' organizations or individuals requesting that "carry over" or "stocks in store" should be published from time to time?

[Mr. Church.]

Mr. RINFRET:

1. Yes.
2. 1934, 29 cents per bushel in Ontario, $10.25 per ton in British Columbia; 1935, 50 to 30 cents for No. 1's and 35 to 22½ cents for No. 2's in Ontario; $13.33 per ton for No. 1's and $8.33 for No. 2's in British Columbia.
3. Ontario, approximately same as 1935. British Columbia, some contracts at $15 per ton for No. 1's, $9 for No. 2's, and $12 for combination 1's and 2's, others same as 1935.
4. Yes.
5. Yes.
6.

| December 1, 1934 | October 1, 1935 |
|---|---|
| 2,148,661 cases | 1,785,661 cases |

7. Yes; the Canned Foods Association of Ontario.
8. Yes.
9. Yes.

### LABELLE BUILDING, MONTREAL

Mr. DESLAURIERS:

1. What is the name and address of the owner of the Labelle building in Montreal?
2. What is the municipal assessment of this building?
3. What is the monthly and yearly rental paid by the government for the use of said building?
4. What amount has the government expended upon this building in improvements, repairs or maintenance from 1930 to 1936, inclusive?
5. What floor space does the government occupy?
6. When does the lease of this building terminate?
7. Was any reduction in the rental made during the depression?

Mr. CARDIN:

1. Labelle Building Limited c/o Sun Trust Company, Limited, 10 St. James West, Montreal, P.Q.
2. Land $125,600; Building $154,400; Total $280,000.
3. (a) $3,497.32.
   (b) $41,967.95.

4. From January 1, 1930, to January 31, 1936. Minor repairs and improvements $2,-451.80 for six years and one month. (Large repairs and improvements made by owner). Caretaking, lighting, power and water $49,-796.54 for six years and one month.

5. 25,613 square feet.

6. May 1, 1937.

7. No.

HAMILTON, ONT., FEDERAL BUILDING

Mr. LENNARD:

1. In connection with the erection of the new federal building at Hamilton, Ontario, was the general contractor supposed to provide a watchman during the day and another at night while this building was under construction?

2. If so, has this regulation been complied with and at what hourly wage were these men employed?

Mr. CARDIN:

1. Yes.

2. (a) Yes; (b) night and day watchman at $15 per week each, and two gate watchmen at 45 cents per hour.

VALCARTIER CAMP

Mr. WERMENLINGER:

1. Since the change of government, has the Department of National Defence or the Department of Labour purchased any wood for Valcartier camp?

2. If so, what quantity?

3. What was the price?

4. To whom was the contract given?

5. Who were the tenderers?

Mr. MACKENZIE (Vancouver):

1. Yes.

2. Forty-five cords of hardwood.

3. $6.50 per 72 cubic feet.

4. Mr. Maurice E. Bastien, Loretteville, P.Q.

5. Mr. Maurice E. Bastien, Loretteville, P.Q.; Mr. Cléophas Turcotte, Quebec, P.Q.

Mr. WERMENLINGER:

1. Since the change of government, have tenders been invited by the Department of National Defence or the Department of Labour for supplying hay to Valcartier camp?

2. If so, to whom was the contract awarded?

3. What was the price?

4. Who were the tenderers?

Mr. MACKENZIE (Vancouver):

1. Yes.

2, 3 and 4:

(Period December 20, 1935, to April 18, 1936)

2. Mr. Alphonse Lépine, R.R. No. 1, Ancienne Lorette, P.Q.

3. No. 2 timothy hay, $16 per ton of 2,000 pounds; No. 1 clover, $15.50 per ton of 2,000 pounds.

4. Mr. Alphonse Lépine, Ancienne Lorette, P.Q.; Mr. Joseph Couture, Loretteville, P.Q. (Mr. Couture's tender was received 5 days after tenders were closed).

(Period April 18, 1936, to approximately June 30, 1936)

2. Mr. Nestor Lachance, Charlesbourg, P.Q.

3. No. 2 timothy hay, $10.50 per ton of 2,000 pounds; No. 1 clover, $10 per ton of 2,000 pounds.

4. Mr. Nestor Lachance, Charlesbourg, P.Q.; Mr. J. Elzéar Bégin, Beauport, P.Q.; Mr. John Byrne, Charlesbourg, P.Q.; Messrs. Bégin & Frère, Quebec; Mr. Gérard Côté, St. Grégoire, P.Q.; Mr. J. Omer Daigle, St. Gérard Atalante, P.Q.; Mr. Alphonse Drolet, Ancienne Lorette, P.Q.; Mr. Arthur Drolet, Quebec; Mr. Alphonse Lépine, Ancienne Lorette, P.Q.; Mr. Arthur Martineau, St. François, P.Q.; Mr. N. Lachance, Charlesbourg, P.Q.; Mr. J. H. Bureau, Ancienne Lorette, P.Q.

## QUESTIONS PASSED AS ORDERS FOR RETURNS

CIVIL SERVANTS—ADDITIONAL REMUNERATION

Mr. BOULANGER:

1. From August 7, 1930, to October 23, 1935, who are the civil servants in administrative or executive positions who have received additional remuneration for work done outside of prescribed hours and what amount has been received by each of them?

2. From August 7, 1930, to October 23, 1935, who are the civil servants who have received additional remuneration for work performed outside of prescribed working hours, in conformity with article 85 of the civil service regulations, and what is the amount received by each of them?

NAVAL REDUCTIONS ARMAMENT CONFERENCE

Mr. CHURCH:

1. Has any white paper or other document been received by the government showing the proceedings of the recent naval reductions armament conference in London, which agreement was signed in London last month on behalf of Canada, by the high commissioner?

2. Will a copy of it be laid on the table to include the text of an address at the execution of the treaty by the Canadian high commissioner?

3. Is Canada committed in view of this treaty to reduce armaments in so far as Canada's navy is concerned; if so, to what extent are we obligated by it?

4. What does Canada's navy consist of and where is it now located, and is any of it now in Mediterranean waters?

5. What are the total expenditures for the last year of record on Canada's fleet (a) capital; (b) maintenance?

DISMISSAL OF MARINE AND PUBLIC WORKS EMPLOYEES

Mr. WERMENLINGER:

1. What are the names of the employees of the Department of Marine at Richelieu who were dismissed between the months of November 1, 1935, to April 1, 1936, in (a) shipyard; (b) the fleet; (c) buoy service?
2. What are the names of the employees of the Department of Public Works at Richelieu who were dismissed from November 1, 1935, to April 1, 1936?

Mr. WERMENLINGER:

1. How many employees of the Department of Marine at the (a) Sorel shipyard; (b) Sorel buoy service; (c) Sorel fleet department, were dismissed during the months of November and December, 1935?
2. What are their names?
3. What were the dates of their respective appointments?

VALCARTIER CAMP ARSENAL

Mr. WERMENLINGER:

1. Since November 1st last to the present time, what persons from outside Valcartier camp have been employed in the erection of the arsenal and cartridge factory?
2. When did each of said persons commence work?
3. When did they finish such work?
4. What salary or wages did they receive?
5. By whom were they recommended for appointment?
6. What was the particular trade of each of these employees?

## CANADIAN NATIONAL RAILWAYS

REPORTED LEASE TO CANADIAN PACIFIC OF WINDSOR-WINDSOR JUNCTION LINE

On the orders of the day:

Hon. C. D. HOWE (Minister of Railways and Canals): Mr. Speaker, yesterday the senior member for Halifax (Mr. Finn) gave notice of a question as to whether I or the government had knowledge that a contract was about to be entered into with the Canadian Pacific Railway Company for a long period of years, leasing the line from Windsor to Windsor Junction which is owned by the Canadian National Railways.

I may say that no such agreement has been entered into. The agreement in question refers to an arrangement permitting the Dominion Atlantic railway to use the tracks of the Canadian National Railways, as well as the terminal facilities, from Windsor Junction to Halifax. That arrangement has been in existence since 1914, but when the Dominion Atlantic railway acquired the property in 1928 the agreement continued without formal sanction. On recommendation of the Canadian National Railways a formal agreement has been entered into covering the old arrangement.

[Mr. Church.]

## LOAN COMPANIES

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I should like to direct a question to the Postmaster General (Mr. Elliott) following a number of complaints from the Toronto district with regard to what are called in this house shark loan companies. I understand that they are sending through the mails a large amount of literature, and that they charge fabulous rates of interest. I found some of this literature in the mail the other day, but it had no post office stamp on it, and I have been wondering how it gets in the mail in the residential districts, particularly in the poorer districts of Toronto. In view of the large number of complaints that have been made about the methods used by these companies I would ask the Postmaster General to look into the matter and see if the regulations of the Post Office Department are being complied with.

Hon. J. C. ELLIOTT (Postmaster General): Mr. Speaker, I had no intimation that my hon. friend was going to ask this question or I would have had the matter looked into, but I shall be very glad to make inquiries. The matter had not come to my notice previously.

Mr. CHURCH: Some of the mail is going through station K, No. 12, North Toronto.

## SUPPLY

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

DEPARTMENT OF LABOUR

**Projects already undertaken—amount required to provide for agricultural settlement and resettlement, $500,000.**

Mr. POULIOT: This is a very concise form of legislation, but due to the questions that were asked yesterday the committee was enlightened on its purpose. Some people attach much importance to jobs. I understand that a great many of our fellow citizens are inclined to lean on the government since the leader of the last government told the country: Let everybody come unto me and I will serve them. This time I intend to discuss the matter not subjectively but purely objectively, by way of showing the importance of legislation to every man, woman and child in Canada. Let us suppose for a moment that there is a certain definite number of jobs available, 25,000, or even 100,000; it will not satisfy the country at large. But when a piece of legislation is enacted by parliament it affects everyone from coast to coast; therefore legislation should be drafted with the

utmost care. It is not a matter of pleasing or displeasing anyone; the thing must be discussed without fear or favour. It is either right and good, or wrong and bad, and one has to decide whether it is right and good or wrong and bad.

Sir, this piece of legislation is a consequence of the policy put into force in 1932, as the minister stated yesterday. I wonder whether according to section 7 of the act respecting the establishment of a national employment commission the commission will in fact and in law be empowered to check the expenditures made by the provinces. There is a strange doctrine which has many supporters in this house and in the senate—I have heard it supported by prominent legal minds in this house—that even if under the constitution the federal power or the provincial power have no authority on a certain matter, if there is common agreement they can proceed. Let me illustrate this. Under the British North America Act exclusive powers are conferred upon the provinces on the one hand and the dominion government on the other. "Exclusive"—the word is clear and definite. Therefore suppose that in one instance the provinces have jurisdiction; if that jurisdiction is exclusive it means that on that matter the dominion government has no jurisdiction at all. On the other hand where the dominion government has exclusive jurisdiction the provinces have no jurisdiction at all Therefore if the dominion government is endowed with jurisdiction in a certain matter the provinces have none, and if the provinces have jurisdiction the dominion government has none. How then can we say that the party which has no jurisdiction can by common agreement be a party to the thing proposed? This argument is not only theoretical; it comes to a practical point, namely, the checking of expenditure. The money will be advanced to the provinces, we were told yesterday. Legislation recently enacted, section 7 of the act which was formerly Bill No. 14, respecting the establishment of a national employment commission, provides:

> The commission shall, under the direction of the minister supervise the expenditure of funds voted by parliament for purposes of relief and providing employment, and perform such administrative duties with respect to relief and employment as may be assigned to it from time to time by the governor in council.

Having in mind a logical interpretation of the most important sections of the constitution, those that divide the powers between the federal government and the provinces, do you not think, sir, that the provinces will take advantage of the constitution to refuse to permit inspection of their books by the employment commission? And if the matter is brought to court it is doubtful whether such a contention on the part of the provinces will be rejected. Therefore on the one hand the money will be granted to the provinces, and on the other hand it will be impossible to check the expenditure made by those provinces of the dominion's money. This is a very serious objection. I submit it now in order that we may have an explanation from the minister as to how the federal Department of Labour will proceed with regard to the checking of expenditures. One method that could be adopted would be to allot a certain amount to the provinces to meet the expenditures themselves, provided that afterwards they may come to the dominion government for refund, with vouchers; then the federal government would be able to check the whole thing. But if the money is advanced to the provinces they can refuse afterwards to have an audit of their expenditures. May I ask the minister what he thinks of the suggestion of making first an allotment to each province according to its population or needs, the province to spend the allotted amount and afterwards come to his department for refund with complete and satisfactory vouchers?

Mr. ROGERS: The point made by the hon. member for Témiscouata (Mr. Pouliot) relates to the efficacy of supervision over relief expenditures which might be exercised by the dominion government. May I point out to him that section 7 of the act setting up the national employment commission refers specifically to the supervision of the expenditure of funds voted by parliament for purposes of relief and providing employment. Obviously it does not apply to expenditures voted by provincial legislatures for such purposes. Of course at all times we have the power of following through our own expenditures. So far as the expenditures made under specific agreements are concerned, may I say that the whole question of supervision is covered in the agreements, and where for example an expenditure is made ostensibly under the terms of such agreement, and it is afterwards discovered that the agreement has been violated, the auditor general may refuse to pass the account and refunds may be requested from the province in question.

Section 7 of a typical agreement may place the situation clearly before the hon. member. It is as follows:

> The province agrees that it will maintain adequate records of all expenditures, supported by proper documents and vouchers, and that such records, documents and vouchers shall be segregated from, although reconciled with the usual records of the province.
>
> The province further undertakes to make all or any of the said records, documents and

vouchers available to the dominion for audit or examination upon request, and to furnish information in relation thereto.

I agree with the hon. member that the question of supervision is a very important one, and I assure him that in connection with the negotiation of further agreements with the provinces we shall be glad to keep his suggestion in mind.

Mr. POULIOT: Thank you, sir. But the time will soon come when the policy of the previous government will have to be repealed. On October 14 the people of Canada said clearly that they did not desire a continuation of the same policies, that they wanted a change. Everyone regrets the careless drafting of legislation passed in the last five years. Every bit of it should be repealed and replaced by good, Liberal policies. Not one piece of legislation will stand the test of public opinion. It was always a matter of having a peg to fill the hole. During the past five years the policy of the then government was one of expediency, and in many cases when the government had its back to the wall it decided anything. But, sir, it is not "anything" that we need; we need something, and something constructive, something which will bring nearer the dawn of normalcy.

First of all we have to make an inventory of conditions in Canada. We must make a survey of mortgages on farms. Here we are asking that money be voted for the relief of farmers, and I believe the vote would refer to relief in the broad sense of the term. Specifically it is to provide "for agricultural settlement and resettlement." Many farmers have had to leave their land because they were not successful in securing adjustments from the farm loan board. Sometimes there was a difference of $200 or $300, and because on occasions the board refused to lend the farmers two or three hundred dollars more, those farmers had to quit their lands.

The vote under discussion is for $500,000, a large sum, but only a drop in the bucket when we consider the needs of the farmers. It is impossible for the government to pay all the debts of the farmers, because those debts are too great. In order to know what the farmer needs it is essential first of all that the government be made acquainted with the total amount of farm mortgages in each province. We must have that information if we are to find out how money can be lent to farmers, either by governments or by other organizations, to permit their survival. If we are to lend money the amount must be defined according to the needs of the farmers, and that information can be secured only by first having the amount of the mortgages. This information is not available at the present time. The figures supplied in the last census are incomplete and far from satisfactory. If we are to take into account the best way of reestablishing farmers we must also consider the farm loan policy. Not only that, but there must be a careful consideration of the tariff, because we know the tariff plays an important part in the sale of farm products. Further, the Department of Trade and Commerce should play the game hand in hand with the Department of National Revenue, in order to find new markets for the farmer. Therefore I say that under item 329 the whole policy of several departments with regard to farmers might be considered.

As was stated yesterday, there must be one head or one leader in every field of activity. That is my humble understanding. The Prime Minister should be the leader of all the leaders in the cabinet, by directing the policy which will bring about the desired change. We cannot expect a change of any kind if we continue to follow the policies of the previous administration. We need a drastic change of policy. Moreover, every minister should be careful in the acceptance of advice given to him by some deputy heads. I know one of them who is most dangerous, because he is a crank. I am not now speaking about the Department of Labour but about another department with which all other departments have to deal. When a man tries to make experiments on too large a scale at the expense of the country, it is most dangerous. A check should also be made of the few men who composed the outside brain trust of the last Prime Minister, and those men should be superannuated right away. They were behind the curtains, but there they played their role by giving wrong advice. I hope this government will not accept any more of the advice given by those people, and will see to it that they are made inoffensive. The government cannot be expected to settle the question of unemployment even within five years if the policies of the Tory government are continued. There must be an end to that. Of course, I appreciate the fact that farmers must be helped, but in order to help them and relieve unemployment all the former Tory policies must be repealed and thrown into the wastepaper basket, and new and progressive legislation must be brought forward for the benefit of the farmers and other citizens as well. I am ready to give this a chance, but the policies of the previous government have proved a failure, and how can we expect anything by continuing them? The few men who are responsible for the disaster that has taken place in the settlement of farmers should be made innocuous, and I hope, Mr.

Chairman, that within a very short time I shall be in a position to receive more information about these fellows.

Mr. DOUGLAS: Can the minister give us some idea as to how this amount of $500,000 will be divided among the provinces?

Mr. ROGERS: I sought to make it clear yesterday afternoon that this sum of $500,000 includes $250,000 to which we are committed under existing agreements, and $250,000 which will be required to meet the anticipated demands from provinces with which the dominion government has relief settlement agreements. As to the precise provincial distribution of this amount, my hon. friend will understand that this must depend upon the number of relief settlers in each province. I am not able to give him in dollars and cents at the moment the exact distribution. It depends upon the number who have availed themselves or will avail themselves of the opportunity to take advantage of the relief settlement schemes. I put on record yesterday the numbers who had been assisted in the various provinces.

Mr. DOUGLAS: I wanted to make a suggestion to the minister with reference to the problem of agricultural settlement, and particularly as it refers to the province of Saskatchewan. When the drought was at its worst in Saskatchewan, farmers who had been forced off their farms by reason of indebtedness and climatic conditions volunteered to go into the northern part of the province. I know many of them. A utopian picture was painted for them. They were told they would be able to shoot enough and fish enough to keep themselves in food, they would be able to get enough fuel from the forest, and all they would need would be a little money for clothing. It was painted as a paradise compared with the country they were leaving. I am not blaming anybody at all. The government was faced with a drastic situation and applied what seemed to them to be the best remedy. But what do we find at the present time? Many of these families are now in the northern part of Saskatchewan where the land is so densely overgrown that it will take a number of years to clear even enough land to feed stock. These people are away from roads, railways and telephone communication. Whole communities of them are on relief, and dependent on some type of government assistance, while in the south, the very country which they left, conditions are improving and that country is coming back, climatically speaking. In the part of the province from which I come you can travel mile after mile and see farm after farm that has been abandoned, with good buildings, telephone communication, good roads, close to the station; with elevators, and yet you will find whole stretches of country uninhabited. Instead of taking people up into the north to settle them there or continuing to assist the settlers who are now up north, it would seem better to enter into some agreement by which the government could take over for settlement purposes farms which have been taken over by the municipalities for non-payment of taxes. A great many mortgage and loan companies own large tracts of land in Saskatchewan and would be very glad to get rid of some of it for the taxes and indebtedness against it. Many of these settlers could be brought back into what is really a grain growing country. They are grain farmers and are not qualified for settlement in the northern part of the province, where they find themselves in a type of country to which they are not suited and for which they have no inclination. I suggest that some such agreement might be worked out. The time has certainly come for a new orientation on this problem by which much of this desirable land in southern Saskatchewan could be taken over by the government and these settlers brought back into their own community, with some of the comforts of life. They would be back in association with their fellow creatures, and a scheme could be set up under which the families brought back could repay at a very low rate of interest some of the debt against this abandoned country. I submit that for the minister's consideration.

Mr. QUELCH: Mr. Chairman, under item 310 assistance can be given to settlers to transfer them from a drought area into a more productive area. Item 329 deals to some extent with the same subject, and there may be some overlapping between the two. When the dollar for dollar bonus legislation was before the house I referred to the fact that the soldier settlement board had been formed in 1919 and supervisors appointed for the purpose of reestablishing and settling soldiers on the land. I think a considerable number of them were settled in the drought area in spite of the fact that the government knew then that these areas were not suitable for settlement. The Minister of the Interior (Mr. Crerar) has asked me for my authority, and I should like to quote from a letter which I have received on this subject from the Department of Immigration. It says in part:

The area from townships 27 to 32 was subdivided in 1905 in a very dry season. Of the eighty-four townships fifty per cent was rated as too dry and unproductive; thirty-

seven per cent was rated for grazing, and, given sufficient moisture, about thirty per cent was conceded for farming.

Although thirty per cent was cenceded for farming, a far less proportion than that is really suitable for farming. It is not a question of dry cycles at all, because that district has been dry ever since 1905. A number of farmers have moved out of the district but there is still a large number who desire to be moved out, who are on relief and are unable to make a living there. Would they be eligible under this item to be moved into other districts?

Mr. ROGERS: The vote under consideration applies to agricultural settlement and rehabilitation. I have already pointed out that this is a commitment under existing agreements for relief settlement, and the purpose of these relief agreements is to take from municipalities families with previous agricultural experience and place them on the land. Obviously in order to qualify for that opportunity they must previously have been on relief. It is not, properly speaking, a scheme of colonization such as my hon. friend perhaps has in mind. The situation to which he has referred and which has been referred to by the hon. member for Weyburn (Mr. Douglas) has been brought to my attention. Unquestionably in the settlement of western Canada there has been at times an unfortunate selection of land. That raises a very large question for consideration. I would point out that a discussion of colonization in its wider aspects does not come strictly within the terms of this vote. I have no desire to curtail the discussion or to withhold information, but I should like to direct the attention of the committee to the fact that this item and those that follow immediately relate to projects already undertaken, in other words, to which we are already committed. We are simply meeting our obligations. Any general discussion on any of these subjects would come more properly under the items which follow immediately under the heading "other projects." As I have said, I have no desire to curtail discussion or to withhold information; I am simply suggesting that it would expedite the progress of these estimates if we passed the items to which we are committed already and then dealt with the items under "other projects," most of these duplicate in some manner or relate to methods of dealing with the relief situation which have been already undertaken and tested by experience.

Mr. COLDWELL: If the minister could spare the time this summer, I suggest that he personally look into some of these projects already undertaken.



Mr. ROGERS: I intend to.

Mr. COLDWELL: I have in mind particularly the settlement in the Loon Lake district of Saskatchewan undertaken by the cities of Saskatoon and Moose Jaw. People have been encouraged by the municipalities to settle on land in this district, and a tremendous problem is likely to be created due to the fact that some of this land is believed to be deficient in certain essential chemicals. North of this district other people settled on rather good land, but they went in there believing that they were going to get a railway. Incidentally I may tell the minister that if he goes there he will find that these people expect the federal government to build that railway. I suggest that before much more of this kind of settlement is undertaken, it might be well for the minister personally to look into some of these projects. Reference has been made to the use of single men in connection with the railways, and I would suggest that labour of this type could be used in clearing bush from land which would be suitable for settlement. People could then be settled in communities where they could have schools and other facilities, and in that way we would be actually reestablishing these people.

Mr. BRADETTE: I understand from the minister that the back to the land movement would not come under this vote.

Mr. ROGERS: It would be confined to those who are on relief in the municipalities.

Mr. BRADETTE: It has nothing to do with the back to the land movement inaugurated four years ago?

Mr. ROGERS: Yes, but it is confined to those who are relief recipients.

Mr. BRADETTE: I believe I have more of this type of settler in my constituency than will be found in any other section of the country. I agree entirely with what certain aldermen of the city of Ottawa said the other day when they advised the recipients of relief to stay in the city and not go on the land. I do not want the government to enlarge this scheme, although it should look after the people who went back to the land three or four years ago. The present leader of the opposition (Mr. Bennett) told me two years ago that after the $600 given to these people had been expended, it might be found necessary to give further aid. I am glad help has been given to some of these settlers, but I do not want to see any more people coming from the industrial centres of Ontario to settle on the land when we have many sons of farmers,

men who are experienced, who cannot get settled on the land. The government should be very careful before going further with these schemes.

Next session I should like to see this back to the land and settlement question brought before the agriculture committee in order that it may be thoroughly discussed. I believe I have about 600 of these settlers in my constituency, and before and during the last election campaign I visited nearly every one of them. I found them to be splendid men and women, industrious and courageous, but in most cases they had come from the industrial sections of southern Ontario. They were ready and willing to take up their new life, but the odds against them were very heavy and in many cases insurmountable. Many of them have found their way back to their previous homes, some of them even walking back. Many of the women to whom I spoke told me that they were dreaming of the day when they would be back again in Toronto, Ottawa, Windsor or some other urban centre of population, although they were willing to make all necessary sacrifices to succeed.

I do not want to enlarge upon this matter, as I realize the minister is eager to have the item passed. But I do not want the government to bring one more man from the older centres of population into the newer sections until it has been found possible to give the necessary aid to farmers sons, who want to settle on the land and those under the $600 scheme. These young men are thoroughly experienced and would be following their natural lives. The minister is a student of human nature, and if he looks into this question I know he will realize the impossibility of placing craftsmen from the cities on farms in the newer sections of the country. These men are used to life in the urban centres and the odds against them are too great when they are suddenly transplanted to newer sections. Perhaps next session the government may find it possible to set up a special committee to consider this question. If we can make things more comfortabe for the rural population we will be making a long stride towards bringing prosperity and comfort to Canada.

Mr. MacINNIS: Answering a question yesterday the minister stated that some eighty to eighty-two per cent of those who had been settled on the land in this manner had remained there. Has the minister any information as to how many settlers left their farms during the same period?

Mr. ROGERS: I am quite sure my hon. friend would not expect me to supply that information without having had some previous notice of his question. I am not sure that we have the information, but if it can be obtained from the bureau of statistics, I shall be glad to get it. I agree that it would be very interesting. I should like to point out—this applies to the remarks of the hon. member for Vancouver East (Mr. MacInnis) as well as to those of the hon. member for Cochrane (Mr. Bradette)—that the dominion government does not place these families upon the land. In the first place, a choice is made by those who take advantage of this relief settlement scheme. Then the approval of the municipality must be obtained, and, lastly, the actual selection of the land and the administration is carried out by the province which is concerned in the colonization activities. In making a selection both of the land and of the settler the province has the advice of an advisory committee, and, speaking generally, the municipality also has the advantage of that advice. I am far from saying that the condition of those who have been settled under these agreements has always been satisfactory. I can quite understand that in many cases it is far from satisfactory, and I shall be glad indeed to keep in mind the suggestions which have been made both this afternoon and yesterday regarding the importance of continued supervision. I am free to confess that I have not yet had an opportunity to see some of these schemes in active operation, and I think that my time would be spent more profitably there even than in this house. But that opportunity has not yet occurred; I shall take advantage of it as soon as it does occur. In the meanwhile I have had consultations with the general advisory committee, with representatives of the railway colonization departments present, and we have sought to go into the whole matter as carefully as possible. I assure the committee that before there is any extension of the existing schemes we shall see our way very clearly.

Mr. MacINNIS: One hesitates to criticize in this matter the minister, or the department, or even the government, because in these last five or six years we have been thrown into a condition for which the country, both in respect of organization and, if I may say so, psychologically, has been totally unprepared. I have great pleasure in associating myself with the hon. member for Cochrane (Mr. Bradette) in the sentiments he expressed a little while ago. I think that the money now being spent could be used to better advantage in creating a good community life for the people who are already on the land and who,

unless conditions get much worse than they are, are going to stay there. The minister points out that his department is not selecting the people who go on the land, neither has it selected the farms or the districts in which they are settled. I am pleased to hear him say it is intended to look into this matter before the next session of parliament, because if the dominion government is to give financial assistance in this way it must provide the organization that is necessary to put these people back on the land. It is useless to place people on the land when many of those who have been living there have been compelled to leave because of the conditions under which they had to live. If the minister will try to formulate some organized plan for putting people back on the land and making conditions there fit for human beings to live under, as far as I am concerned he will not only be immune from criticism but will have my assistance as far as it can be given.

Mr. STEWART: I rise not for the purpose of opposing the vote but rather to commend the minister and the government for continuing this scheme. To students of social conditions no subject has been more thought-provoking than the drift of people from the land to the cities. Perhaps that is a factor contributing to the difficulties that are experienced in the larger cities in the matter of relief. There are men in the cities and larger towns who came from the farms, young men who thought that their prospects in life would thereby be improved. They must have found out by this time that they made a mistake; many of them would be glad to return to the farms of their fathers, which they never should have left, and which would have been in much better condition to-day if they had remained there, because many of the older people were left without that loyal interest and cooperation which in past days have contributed to the upkeep and the improvement of the farms. This scheme is for the purpose of assisting those in the cities who are on relief to return and resume a vocation for which they are qualified and which they wish again to take up. There is nothing compulsory about it. An individual decides that he wants to go back to the farm, to return to work that he is familiar with. He is now on relief, a charge upon the city and community in which he lives. Under this scheme, with the approval of the municipality and the province and the dominion, the desire of that individual is promoted and a joint contribution is made which establishes him to a certain extent upon the land and provides for assistance in the future. By this means he is not confronted with the payment of rent and the purchase of fuel, vegetables, and supplies, with which he can now provide himself in large measure. It may not be an ideal condition; the scheme may not be a one hundred per cent success, but the fact that between eighty and ninety per cent of those who have gone back to the land have remained, that the large number referred to by the minister yesterday—I think it is 18,500 individuals and about 3,500 families—are being cared for in this way, indicates in a measure the success of this undertaking. I recall very well how severely this policy was criticized in the house by those who are now on the other side. But after all time is merciless in its vindication or its condemnation, and time has vindicated and justified in large measure the policy of the former minister of labour and the former government in this respect. We ourselves had some doubts about it, but it succeeded beyond our most cherished expectations. I believe that a large number of the people who are on the farms will remain there, that they will be better off there than they were in the cities, and that the cost of relief in this connection will be materially reduced. I am glad the minister is continuing this scheme and making provision for an extension of it. I think he is on the right line, and that the scheme is capable of further development.

Mr. BRADETTE: The hon. member who has just spoken (Mr. Stewart) says he still remembers how those who were then in opposition, now supporting the present government never criticized the principles of the back to the land scheme. I happened to be a neighbour of the then minister of labour, and I know he put all his heart into that scheme. I criticized the scheme in 1931, because the minister at that time made the statement in the House of Commons that the back to the land movement had been a success without any expenditures of public money. I rose on the opposition side at that time and said it could never be a success unless both the provincial and the federal government found it possible to spend large sums of money out of the public treasury. That is the only criticism of the scheme I ever offered. When, later on, the so-called $600 movement was inaugurated, I do not recall that there was any criticism from any member of the then House of Commons. But I repeat that I do not believe we can enlarge that scheme at the present time without consolidating the condition of those who are now on the land and assisting farmers' sons and others who are working their holdings to stay on the farm, because you will not get a majority of these fine people to remain in their present oc-

cupation if ever the industrial situation rectifies itself; you may be positive of that. I have been told by some of these people that in a year or two they are going to walk back to Toronto if they are unable to get a lift on the way. Apparently many of them are not satisfied with their present occupation; I think that is the case with the majority. I know some good came from that scheme, and to that extent credit must be given the previous government, but the responsibility rests with the present government to maintain those who were placed on the land a few years ago so that at least they will be comfortable, and substantial help should be continued in the majority of these cases.

Mr. ROWE (Dufferin): I do not want to hold up this item because, as the minister said a few moments ago, there are other estimates under which the discussion can be carried on with better effect, but I should like to know what has been the average cost per family that is still on the land. Some of these families must have been on the land for a couple of years now.

Mr. ROGERS: For more than that, some of them. Perhaps it might be useful if I made a brief statement as to the financial obligations that have been assumed by the dominion government under this scheme.

Mr. ROWE (Dufferin): No doubt that will cover it. What I was chiefly interested in was the average cost of the scheme so far per family.

Mr. ROGERS: It would be $600 for the two years, and then in some cases there have been renewals for a further two years at $100. Does that answer the question of my hon. friend?

Mr. ROWE (Dufferin): Yes, that is it.

Mr. PELLETIER: Since this item refers particularly to a resettlement scheme, under which it was possible to take people from the cities and put them back on the land, I think this is the time to express our ideas in this connection. Yesterday the minister said there had been no coercion practised, as far as those people were concerned, when they went on the land. Even though that was the case actually, we find that in many cases there was indirect coercion. The minister also said some of the members of these advisory committees were people representing the railways. I have before me a mass of reports, some seventeen in all, written since last January by one of the persons in the province of Quebec who was most active in regard to this back to the land movement. There is one point that strikes me. We give these people something like $600 when they go on the land. In my own constituency we have had many people come from the eastern part of Canada, particularly from the province of Quebec. They came of their own accord; some of them brought as much as $2,000 with which to begin farming operations in the locations of their choice, but what is the situation to-day? Even though they had $2,000 instead of $600, the only food they have at times is moose meat in the winter, if they can possibly get it, and if it were possible they would be very glad to get back to the cities. The figures do not show the people returning to the cities simply because when we put them on the land we see to it that they stay there. I believe if we were to give them the same encouragement to come back to the cities we would find that the movement back would be very rapid. We put these people on the land; we want them to produce and become self-supporting to the greatest extent possible. On the other hand we dread the day when they will begin to produce, because then they will add to the so-called surplus of products we have to-day. First we say we have too much grain, and then we shove these people back on the land to produce more. I understand, of course, that the idea is to have these people become self-supporting, but, as has been said so frequently during the discussion of this question, if the people who are experts in farming cannot make a go of it how can you expect industrial workers to do any better?

Mr. ROGERS: I should like to ask my hon. friend a question. Does he think it is better for a man to consume without producing or to consume while producing?

Mr. PELLETIER: This is the point I am coming to: if the government finds it good policy to put people back on the land I have a constructive thought to offer the minister, even though it may not be taken into consideration at present. Perhaps when the remarks of the hon. member for Cochrane (Mr. Bradette) are considered further it may be possible to give consideration also to the suggestion I am going to make. In connection with the Ford industries in the United States, it is well known that for quite a time Mr. Ford has been considering what he calls the decentralization of industry. I quote from the Encyclopaedia Britannica:

> The industry does not use a single warehouse—everything is in transit. The centre of the industry is at Detroit, Michigan, and at River Rouge, Michigan, on the outskirts of Detroit; but with the method of assembling cars at the point of use, a decentralization of

manufacturing is taking place and comparatively small plants are being located out in the country wherever proper water power sites are available. Each of these plants makes only a single part; the thought behind their establishment is to strike a balance between industry and agriculture. None of these plants employs more than five hundred men, and in most cases the men divide their time between agriculture and industry. This is one of the most important developments.

I think it might be worth while looking into that idea. If we desire to take our workers out of the cities I believe it might be done by the decentralization of industry in this way.

Miss MACPHAIL: I should like to answer the question asked by the Minister of Labour by asking another question. We say the unemployed should produce. Why should we think in terms of agricultural production only? Why not think in terms of the production of automobiles, we will say, which are admittedly much more expensive than they should be?

Mr. ROGERS: I should be very glad to answer that question, though I am not sure that I can do so to the satisfaction of my hon. friend. It so happens that our industrial life has become so highly complicated through division of labour that it is practically impossible for more than a few general craftsmen really to produce the things they consume, but in agriculture it is much easier to do that.

Miss MACPHAIL: Is it?

Mr. ROGERS: Most certainly; I do not think there is any doubt about it. The question I put to the hon. member for Peace River (Mr. Pelletier) was this: Does he think it is better for a man to consume without producing than to produce and consume at the same time? I think that was a relevant question, because that is the choice that is presented to the people who come under these relief schemes. It is a test of their moral fibre and, of their courage as well, that they should be willing and anxious to produce as much as possible of what they consume instead of remaining on relief with very few opportunities for work. We all recognize that we are dealing with an entirely abnormal situation, but as between the choices proposed by my hon. friend, at least by implication, I should think there would be very little doubt as to the answer.

Mr. MacINNIS: The minister asked whether it was better to consume while producing or to receive our consumptive needs in idleness. I should like to point out that most of our best people consume without producing, and no one thinks it is in any way derogatory to them. And the more they can consume without producing the higher they are in the social scale.



Mr. ROGERS: My point would apply right along the line.

Mr. MacINNIS: All right; apply it along the line and we will go along the line with you. Why not put people back to simple production with the spinning wheel and hand loom? Why not have them make their own pants and shirts and all that sort of thing? That is just as reasonable as putting them on the land to-day to produce their own food. Let us take a realistic view of the production process as it is in this country. Whether it be industrial production or agricultural production, it is to-day a social process in which industrial workers in the city and agricultural workers in the country take part. To-day the farmer does not produce without machinery, and that machinery is not made on the farm. It is made from materials obtained in the mines and forests, which then go through various processes in the industrial centres and out over the transportation systems to the farmer. Then he begins his production. When he carries on production with machinery of that kind he is not producing his own needs. It was never intended that he should produce his own needs by the use of machinery of that kind. He is producing for those who take part in the building of the machinery; he produces the food and they produce the machines. It is specialization of labour. So that if you take people out of the cities and put them on the farms a first consequence is that you are lessening the market for the farmer's products, which he produces with complex and high power machinery. The farmer cannot sell to his neighbour the things he produces; if he is to sell them at all he must sell to the people in industrial centres, so that you are not improving his position in any way or the position of those you are putting on the farms from the cities. On the contrary you are making the farmer's position worse by lessening his market to that extent. These people can be self-supporting on the land only on a subsistence basis unless they have access to machinery and to markets. The question cannot possibly be solved in this way. If you wish to ameliorate conditions and help towards the cooperative production that the world must come to if humanity is to survive, use this money to promote that, but to use it in the way proposed here is useless; you might as well throw it in the lake.

Miss MACPHAIL: Hear, hear; that is my opinion too.

Mr. HOWDEN: I have heard a lot of argument like that in reference to matters such as we are discussing, and it appeals to me as being just so much bunk. The city of Winnipeg, in conjunction with the province of Manitoba, has put three hundred of these families on the land, and to the best of my knowledge and memory, which I think is fairly good in this matter, they are all doing well and making a living for themselves. Certainly no one can grow food on the city pavements, but if people are sent to the country they have an opportunity to provide a livelihood for themselves and to that extent relieve the finances of the federal treasury. I cannot see any sense in criticism of this kind. I think this is one of the best measures that the house has adopted, and I am glad to think that before it was adopted I was one of those who urged it most strongly.

Miss MACPHAIL: May I ask the hon. member for St. Boniface (Mr. Howden) why he did not think of training 100,000 of these people for doctors?

Mr. HOWDEN: We have all the doctors we need at the present time and probably more. These people could make a living for themselves off ordinary land, but the doctor cannot make a living off a dead body.

Miss MACPHAIL: My understanding is that doctors are doing fully as well as farmers. We have a lot of farmers who are not making a living for themselves. What always irritates me about our philanthropists is that they are anxious to put people on the land in order to produce food, but they are very careful that they do not set up a model textile factory or sugar refinery or train them for doctors and lawyers. Why not?

Mr. HOWDEN: I would advocate a good many doctors going to the land, because a lot of them are having a pretty difficult time. They might get a living from the land which they cannot get in the city.

Mr. BRADETTE: Do I gather from the hon. member that all the men living on the land now are prosperous? Is that the impression he wishes to give?

Mr. HOWDEN: The impression I want to leave with the committee is that ninety-nine per cent of the settlers established on the land in Manitoba have succeeded in remaining there and are in a much better position to-day than when they were sent there.

Mr. FAIR: I would remind the hon. member that ninety-nine per cent of those on the land have not the wherewithal to get off or they would be off.

Item agreed to.

PROJECTS ALREADY UNDERTAKEN

Amount required to provide for commitments arising out of agreements with the provinces—
Trans-Canada highway, $3,527,125.
Provincial highways and roads, $1,534,197.
Municipal works, $634,252.
Greater Winnipeg sewage disposal scheme, $900,000.
Direct relief, $190,541.
Other commitments, including farm placement, $259,000.

Mr. ROGERS: This item, as stated, covers the amounts required to provide for commitments arising out of the agreements with the provinces. As hon. members know, the dominion government through the Department of Labour enters into agreements with the various provinces for the execution of relief works of various kinds. Inasmuch as the term of the agreements is limited by the term of the relief act there usually has been an unexpended balance due to the various provinces in respect of various projects. This item is designed to meet our commitments in that regard.

Mr. STIRLING: To what extent have the provinces made use of the second item provincial highways and roads? The trans-Canada highway of course stands by itself. To what extent have the provinces cooperated with the dominion, or indicated their desire to do so, and particularly has the question of maintenance of the roads so constructed been gone into by the government?

Mr. ROGERS: With regard to the contributions made by the dominion government for provincial highways and roads, these will be found in the report of the dominion commissioner of unemployment relief of the present year, table No. 1, which sets out in detail a recapitulation of dominion commitments and disbursements as at March 31, 1936. If it will suit the convenience of my hon. friend he will find that information there. As to maintenance, he will understand that the dominion government has not in the past assumed any responsibility for the maintenance of these highways.

Mr. GLEN: What is included in this vote as far as Manitoba is concerned? What are the different highways that it is proposed to build, and the amounts to be expended?

Mr. ROGERS: Does my hon. friend wish me to place upon Hansard precisely the projects which are to be undertaken in Manitoba under this item?

Mr. GLEN: Yes, I would like to know what the highways are on which operations were started in 1935 and how much money is being expended on these projects under this vote. There are not many in Manitoba, I understand, but I should like to have a list of them.

Mr. ROGERS: I can assure the hon. member that the information is available and I can place it before him. Several agreements were concluded with the province of Manitoba, and they are all summarized in the information before me. Perhaps at this time I might indicate the highways under provincial works. There was the highway, including bridges from the town of Boissevain to the International Peace Garden, under the agreement of July 15, 1935; the highway from Dauphin to Riding Mountain national park; the highway, including bridges and culverts, from the town of Russell to a point on the Brandon-Clear Lake highway, under the agreement of September 20; the highway, including bridges over the Red river from Morden to the junction of the Winnipeg-Piney highway; the highway, including bridges and culverts, from the city of St. Boniface to the international boundary under agreement of September 20; the highway, including bridges and culverts, from the village of Roblin to the village of Benito, under the agreement of September 20; the highway, including bridges and culverts, from Dauphin to Fork River and thence to the village of Winnipegosis, under the agreement of September 20; on highway 17 from the village of Crystal City to the international boundary line, under the agreement of September 20. Those complete the projects, so far as expenditures on the trans-Canada highway are concerned.

Mr. GLEN: Could the minister give the amount to be expended on these different works?

Mr. ROGERS: The amount in the estimate covers the balance that has not already been paid under the agreements respecting the construction of these roads in Manitoba and other provinces.

Mr. LAWSON: Would the minister repeat that?

Mr. ROGERS: The vote of $1,534,197 for provincial highways and roads covers the amount due from the dominion government for works undertaken under the agreements which were concluded under the relief act of last year.

Mr. LAWSON: Due now or contemplated to become due during the fiscal year ending March 31, 1937?

[Mr. Rogers.]

Mr. ROGERS: Yes.

Mr. LAWSON: For the completion of works already agreed to?

Mr. ROGERS: Yes.

Mr. GLEN: The vote now before us will be for the completion of undertakings entered into with the provinces in 1935.

Mr. ROGERS: Yes. that is the purpose of this vote.

Mr. GLEN: And the money will be expended during this year.

Mr. ROGERS: Yes, that is the intention.

Mr. GLEN: Has the minister the figures showing the amounts to be expended on the different highways?

Mr. ROGERS: No; we have the estimates from the provinces.

Mr. GLEN: Are all the provinces satisfied to go on with the work in the same way?

Mr. ROGERS: That is a matter which we take up with the provincial governments, when we are negotiating agreements with them. In respect of some of the provinces there has been a diversion of certain amounts from one project to another, but within the amount provided for under the agreement.

Mr. MacNICOL: The two items for the trans-Canada highway and provincial highways and roads call for the expenditure of over $5,000,000. Is the minister in a position to give the committee figures showing the amounts allocated for expenditure in each of the provinces?

Mr. ROGERS: I shall first give the information with respect to the trans-Canada highway. These figures are in respect of the payment of accounts under this item—

Mr. MacNICOL: I should like to see the amounts allocated to each province under the first item, namely the trans-Canada highway. Then I should like to have broken up the figures for the provincial highways and roads.

Mr. ROGERS: As the hon. member is no doubt aware, this amount is to cover unexpended balances which were due under the previous agreements. I have a breakdown of that information, by provinces, with regard to both the trans-Canada highway and the provincial highways and roads. I shall place on Hansard information with respect to the trans-Canada highway:

Breakdown of Unexpended Balances Under Commitments in 1935 Agreements

| | |
|---|---|
| Prince Edward Island | Nil |
| Nova Scotia | $ 59,875 |
| New Brunswick | 17,155 |
| Ontario | 1,740,000 |
| Manitoba | 24,318 |
| Saskatchewan | 226,000 |
| Alberta | 119,177 |

Mr. LAWSON: There is no agreement with Quebec?

Mr. ROGERS: In addition to that there is included in the item an amount required to provide for the completion of works, that is, an amount apart from the accounts still to be paid, and to be expended for work already done. The figures are as follows:

Amounts Required for Completion of Commitments Under 1935 Agreements not Completed by March 31, 1936

| | |
|---|---|
| Prince Edward Island | $ 4,950 |
| Ontario | 1,147,750 |
| Manitoba | 171,400 |
| Saskatchewan | 16,500 |

Mr. LAWSON: What about Quebec?

Sir GEORGE PERLEY: Are both those tables included in the vote of $3,527,125?

Mr. ROGERS: Yes.

Sir GEORGE PERLEY: The purpose of that vote, then, is to take care of commitments made last year, and to provide for the completion of those undertakings?

Mr. ROGERS: That is true.

Mr. LAWSON: Is there any agreement with Quebec?

Sir GEORGE PERLEY: Yes, is there any amount for Quebec?

Mr. STIRLING: Or for British Columbia?

Mr. ROGERS: I have covered only the trans-Canada highway.

Sir GEORGE PERLEY: Part of that highway is in Quebec.

Mr. ROGERS: There was no agreement covering trans-Canada highway construction in Quebec last year.

Mr. STIRLING: Or British Columbia?

Mr. ROGERS: No.

Mr. ROWE (Dufferin): Would the minister tell us if these commitments were made up to January 1, 1936, or up to March 31? I understand they are made right up to the end of the fiscal year.

Mr. ROGERS: Yes, during the terms of the agreements. As I said a minute ago, the vote of $3,527,125 includes the amount required to meet accounts for work already done—that is one item, and it runs up to March 31. Then, it is also to complete works to which we are already committed under existing agreements.

Mr. NEILL: Would the minister give the committee some information with respect to the trans-Canada highway in British Columbia? First of all, in the past year did he have an agreement with British Columbia and if so what was the nature of that agreement? Secondly, does the vote provide for further expenditures in British Columbia during the present year? I have heard it alleged that in British Columbia we did not get a cent for the trans-Canada highway, having regard to the true meaning of the word, and that all the dominion government did was to provide inlets or outlets to some of its national parks. It is alleged that that work was described as national highway construction. It is stated further that on that part of the national highway on which we wanted money spent, namely the part in the lower and western sections of the province, no money was spent. Is any of this sum in the vote to be spent in the future, and if so for what purpose? If any has been spent in British Columbia, would the minister state roughly the nature of the agreement, if any?

Mr. ROGERS: There was no agreement last year with British Columbia covering the construction of the trans-Canada highway

Mr. NEILL: Did you spend any?

Mr. ROGERS: I am informed a certain amount of work was done on certain sections of the trans-Canada highway, through relief camps which were operated by the Department of National Defence, and also through work done in the national parks. For instance, work in the section known as Big Bend was undertaken entirely by the federal government.

Mr. NEILL: Does "agreement with the province" indicate that the province was to put up fifty-fifty?

Mr. ROGERS: That was the understanding.

Mr. NEILL: And British Columbia made no such agreement—had not the money to do it, I suppose.

Mr. ROGERS: There was no agreement last year. As to the second question, there is provision in the estimates for works to be undertaken with the provinces, and the dominion government will deal with British Columbia or any other province upon the basis of what is possible under that item.

Mr. NEILL: But not under this item?

Mr. ROGERS: That is not covered by this item at all.

Mr. GLEN: There is one point on which I should like to be clear. So far as Manitoba is concerned, has there yet to be an agreement made with the province for the completion of any highways in the province that were already started in 1935, or is it a fact that the agreements having been made in 1935 the projects will be continued now as then contemplated and that the appropriation now being made will be for the completion of all these projects?

Mr. ROGERS: The agreement with the provinces, as my hon. friend has himself suggested, cannot continue in existence after the life of the relief act, and that act expired on March 31, but we have put in the estimates an amount sufficient to meet what will be required to complete the works covered by the agreement. We shall negotiate a new agreement with Manitoba, and in the negotiation of that agreement we shall take up the completion of the works already started under the previous agreement. An amount is made available here for that purpose.

Mr. GLEN: Is there any danger of any moneys under this appropriation being diverted to other projects within the province of Manitoba by way of relief?

Mr. ROGERS: That really is a matter of negotiation between the province and the dominion. I would point out that in the past we have acted on the basis of programs submitted by the provinces themselves.

Mr. LAWSON: What is the number of the item in the estimates covering the amount which the minister says would be for new agreements with the provinces?

Mr. ROGERS: Item number 335.

Sir GEORGE PERLEY: Will the minister be good enough to let us know what progress has been made with the Winnipeg sewage disposal project? It is a matter in which we were all much interested last year.

Mr. ROGERS: One of the subjects under this item covers the appropriation required for the Greater Winnipeg sewage disposal scheme. It will be noted that the amount here is $900,000. That means that we are making an appropriation of $800,000 to cover the commitment for the work to be done this year, and $100,000 is the unexpended balance of the amount to which we were committed during the past year. We are informed that the work has been proceeding satisfactorily.

Sir GEORGE PERLEY: Will this complete it?

Mr. ROGERS: Yes, it will complete the work as originally planned and to which the dominion government was committed.

Mr. STIRLING: May I take it that amount of $354,000 odd which is given in the table on page 6 of the report of the dominion commissioner of unemployment relief is the amount that has been expended on the Winnipeg sewage scheme up to March 31 last?

Mr. ROGERS: The dominion commitment is $800,000 and dominion disbursements $354,612.16. My hon. friend will understand these were disbursements on the basis of the accounts submitted and there are accounts now on hand for further expenditures.

Mr. STIRLING: More than the amount of work indicated by $354,000 has been done?

Mr. ROGERS: Yes.

Mr. BRADETTE: Has a definite understanding been reached with regard to the routing of the trans-Canada highway through northern Ontario? The acting leader of the opposition smiles, but I recall that the minister of labour in the former administration during the 1930 campaign made the definite statement in my section that the routing of the trans-Canada highway would be through the northern section of northern Ontario. I must confess that after five years of waiting we do not yet know how the road will be routed. We have tried to get information from Toronto but have never succeeded. The answer has always been evasive. If I understand the situation aright it is this: that until the province has decided on the proper routing of the trans-Canada highway within its borders, no money will be contributed out of the federal treasury. We have been told in our section, in the riding of Temiskaming and Cochrane that the routing will be through our section. There is an alternative route. One route is via Sudbury and Fort William, and an alternative route would branch off from North Bay to Haileybury, Cochrane, Hearst, and go away down to Hornepayne. Very little work has been done in my section although we had the promises of the late government and of the then minister of labour in the closing days of the 1930 campaign, and subsequent to that campaign, that the routing would be through the northern

section of northern Ontario, but we have been left entirely in the dark as to where the road will be routed. I am going to protest against depriving nearly 300,000 people of direct communication with the trans-Canada highway if the routing is not through northern Ontario. I have no quarrel with tens of millions of dollars being spent in the southern section of northern Ontario, but I do not want to see my fine section of the country in the north left out of the picture by being cut off from the trans-Canada highway. The province of Quebec has been certainly left out in the cold so far as this is concerned, but the onus must rest on that province. The most direct route would have been from Montreal to Mont Laurier, Amos, Cochrane and Hearst and on to Winnipeg, but that is now out of the question because Quebec is going to build its own part of the road. Is the minister in a position to state whether the government of Ontario has decided on the exact routing of the trans-Canada highway so far as northern Ontario is concerned, and if so, where will the road be located?

Mr. ROGERS: It has been the practice in the past for a province to make its own designation of the route to be followed by the trans-Canada highway. The dominion government merely exercises a discretion as to approval, which in the past I think has been in the main wholly formal. Ontario has designated the route of the trans-Canada highway as from Sault Ste. Marie to White River, and from White River to Schreiber. There have been suggestions of an alternate route, but of course it is not for me to suggest anything as to the feasibility of alternate routes. I do know that there have been proposals of alternate routes which would serve other sections of northern Ontario, but the provincial government by order in council has made the designation I have indicated.

Mr. BRADETTE: I thank the minister for the information. Apparently we are out of the picture, although we had the promises of Premier Ferguson and of the Hon. Mr. Gordon and several others of the Conservative faith, and also members of the Liberal faith, as to the routing of the trans-Canada highway through the northern part of northern Ontario.

Mr. ROWE (Dufferin): Page Mr. Heenan.

Mr. BRADETTE: But I am not losing faith, because I gathered from what the minister said that the alternate route would likely receive some contribution from the federal treasury. Is my understanding correct?

Mr. MacINNIS: You will find out about 1940.

Mr. ROGERS: Frankly I am not in a position to answer that question at the present time.

Mr. BRADETTE: Would it be within the federal regulations to grant moneys for the alternate route?

Mr. ROGERS: We are not bound in any way so far as our contributions for highway construction are concerned, to confine them to the trans-Canada highway.

Mr. ROWE (Dufferin): Is the minister implying that we are going to build two trans-Canada highways in that district?

Mr. ROGERS: I assume my hon. friend's question is whether or not assistance from the dominion government might be expected for some alternate route. I pointed out to him that so far as contributions from the dominion government were concerned, we were not limited to the trans-Canada highway. In the past contributions have been made in certain areas solely in connection with the trans-Canada highway, but in other areas contributions have been made in connection with subsidiary highways.

Mr. GREEN: Will this be sufficient to complete the trans-Canada highway?

Mr. ROGERS: Oh, by no means.

Mr. GREEN: What portion will still remain to be completed?

Mr. ROGERS: The vote before the committee is simply to deal with commitments already undertaken.

Mr. GREEN: What portion of the highway will remain to be completed?

Mr. ROGERS: Perhaps I might place before the committee an extract from a report of the dominion engineers who reviewed the situation. They reported to me some little time ago as to what had been accomplished up to the present time and what still remained to be done. Their report reads:

> The trans-Canada highway could be completed as a through route by the fall of 1938.
>
> The estimated cost to the dominion government on a fifty-fifty basis of completing the Montreal-White River gap in Ontario, and improving the balance of the Ontario trans-Canada route to the standard of construction now being used by that province, would be $8,390,650 plus the unexpended balance of the current fiscal year estimated as $555,250.
>
> The estimated cost to the dominion government of completing the Big Bend gap in British Columbia entirely at dominion expense would be $1,950,000 exclusive of the cost of maintenance during construction.
>
> The entire route through Ontario would be built to a high standard of grades and alignments.

The poorest section of the highway would probably be just south of Donald, British Columbia, but this short section (seven miles) will likely be improved by the parks branch this season as a part of the Golden-Revelstoke road.

So far as the province of Quebec is concerned, there has been only a small contribution from the dominion government for this purpose. This is due to the fact that in order to bring the existing highways in that province up to trans-Canada highway standards, it would be necessary to make expropriations on a very large scale.

Mr. GREEN: The government has only to complete the highway in Ontario and British Columbia?

Mr. ROGERS: That is to complete existing gaps. It would still be necessary to straighten out the highway and generally bring it up to the contemplated standard of construction.

Mr. GREEN: Then we would have a passable highway from Halifax to Vancouver.

Mr. ROGERS: I take it that that is the conclusion reached in the report which I have just quoted.

Mr. GREEN: Does the government propose to pay the cost of completing the Big Bend gap in British Columbia?

Mr. ROGERS: I am sorry, but I am not in a position to answer that question at the present time. That would not come under the Department of Labour; it would be constructed wholly under the parks branch of the Department of the Interior.

Mr. BRADETTE: I was surprised at the question asked by the hon. member for Dufferin-Simcoe (Mr. Rowe), who aspires to the leadership of the Conservative party in Ontario.

Mr. ROWE (Dufferin): Who told you that?

Mr. BRADETTE: I heard that and I say quite sincerely that I hope the hon. member will get it. We do not want the construction of a new road to connect with the trans-Canada highway. The hon. member is familiar with the Ferguson highway which is almost completed from North Bay to Cochrane. There is a continuation westward of that highway from Cochrane to Hearst, a distance of nearly 150 miles, and what we want is a connecting link south from Hearst on the Algoma Central about eighty miles in length to give us access to the other sections of southern and northern Ontario. We do not want the construction of an entirely new trans-Canada highway; but the fulfilment of promises made to our section.

[Mr. Rogers.]

Mr. ROWE (Dufferin): That is why I suggested the hon. member should page Peter Heenan.

Mr. BOULANGER: The minister stated that very little had been contributed by the dominion government to the province of Quebec to bring the roads of that province up to the standard of the trans-Canada highway and he said that to do this would mean considerable expropriation in order to straighten and widen the existing roads. I hope the minister will consider the special situation of this province. Quebec is an old province, having been settled for more than three hundred years, and the roads were not built in contemplation of motor cars, motor trucks or other motor vehicles. The situation here is not the same as that prevailing in the constituency of the hon. member for Cochrane (Mr. Bradette). The district represented by my hon. friend is a wilderness; it is uninhabited, and in order to construct a highway it would not be necessary to make costly expropriations. In Quebec the highway traverses many old villages where the houses are built right up to the edge of the road. I hope the minister will take into consideration this special situation and contribute something to Quebec towards the costly expropriations which will be necessary to complete the Quebec section of the trans-Canada highway.

Mr. LAWSON: I should like to direct the attention of the minister to the fifth item in this vote, which provides $190,541 for direct relief. I direct his attention also to item 337, amount required to provide for monthly grants in aid to the provinces, $26,000,000. Am I right in understanding that item 330 is to meet outstanding commitments?

Mr. ROGERS: Accounts.

Mr. LAWSON: To meet commitments made by the former government when it was paying to the provinces a pro rata share of the amounts involved?

Mr. ROGERS: That is correct.

Mr. LAWSON: Then item 337 would be anticipated payments for the current fiscal year under the fixed monthly payment agreements made by this government with the provinces after it came into power?

Mr. ROGERS: My hon. friend has stated it correctly.

Mr. LAWSON: I was wondering at the small amount of the first item.

Mr. ROGERS: That is to meet accounts which have come in belatedly.

Mr. HOWDEN: Will the federal authorities have any check on the moneys to be spent on the greater Winnipeg sewage disposal scheme?

Mr. ROGERS: In our agreement in connection with this sewage disposal project we have arranged for dominion representation to be assisted by a technical adviser, who is an engineer by profession. All accounts are to be approved by the dominion representative, who will have close and continued association with the progress of the work.

Mr. HOWDEN: I assume that the giving of contracts in connection with this work will be done by the city of Winnipeg and possibly the province. During the Easter recess I was made acquainted with certain information with regard to expenditures on this work which seemed to me to be rather startling. The endeavour of this federal authority is to expend these moneys for the benefit of people who are on relief; that is the idea of the enterprise. While I was in Winnipeg I learned, with regard to the building of the fifteen foot section of this sewer, that the cost of material was $50, the cost of labour was about $62, and the contractors received $570 for the section. To me that seems a ridiculous piece of business. This enterprise was for the purpose of extending relief to families in distress, and those families actually got $62 out of $570. I do not know how true this is; I learned it on pretty fair authority, but it seems to me that an incident of that kind, at a period such as the present, certainly requires investigation.

Mr. ROGERS: If my hon. friend will bring this particular case to my attention by letter in a way which will permit us to investigate it, I shall be very glad indeed to look into it further. I agree wholly with him that in respect of all these expenditures for relief works we should see to it that they reduce relief rolls. That is the essence of the scheme, and I am not sure that it is carried out as completely as is possible. We must profit by the experience we have had in past years. It may be that we can insert in our agreements provisions which will require that those working on these contracts shall have been employed through employment bureaux and that a quota of them, at any rate are taken from relief rolls.

Sir GEORGE PERLEY: I think in the agreement we made with the province, and through the province perhaps with the city, there was a provision that that should be done. That was the object and the only one of our giving assistance in connection with this work.

Mr. STEWART: Just for the information of the minister, and in harmony with what he has said, if he will look at the Public Works Construction Act, 1935, in which provision is made for this item, he will find a section providing definitely for the employment of those in need of relief or on relief and the order in which they shall be taken, first, married men, and so on. It is a most comprehensive provision.

The CHAIRMAN: The hon. member for Davenport (Mr. MacNicol) asked me a question a few moments ago to which I did not reply. I think it is rather important. This item is for $7,045,115, and it comprises six different items. I asked if the item had carried, and I meant all the items. The committee has dealt pretty well with every item there. I think probably we should have an understanding if the committee is ready to pass the whole item.

Mr. MacNICOL: Thank you, Mr. Chairman. I have no further objection.

Mr. BOULANGER: Could the minister state whether any agreement has been arrived at between the federal government and the government of Quebec regarding work next summer on the trans-Canada highway? I should also like to know if any arrangement has been reached between Quebec and Ottawa in connection with the expropriations. I wish to make myself very clear. In a new country expropriations do not amount to anything; they form a very small part of the cost of building a highway; whereas in the oldest parts of Quebec, where you have to expropriate property in an old village, or farm land in a district which has been settled for a long time, the land is valuable and the cost of expropriation represents a great part of the cost of building the highway. I hope the minister will take that particular point into consideration and will see his way clear to give special consideration to the case of Quebec. First, I should like to know if an arrangement has been made for work in the coming summer, and also in regard to expropriations.

Mr. ROGERS: No arrangements as yet have been made with the province of Quebec. As a matter of fact the statute under which we would enter into agreement with the provinces has not yet received royal assent, but we propose as soon as possible to enter into negotiations with the various provinces respecting the work to be done jointly during the coming year, and we shall be pleased, of course, to receive representations from the Quebec government as to the particular direc-

tion in which they feel that our contributions can be used most satisfactorily for relief purposes.

Mr. BRADETTE: I wish to say just another word, in order to suggest a policy which possibly would take all settlers on farms, at any rate those in the wooded areas of Canada, off relief this summer. My suggestion is that the federal government inaugurate a land bonus scheme and also a bonus for ploughing. It should seem to be only natural for a man who comes from a partly rural community to ask for a bonus for ploughing and a land bonus, but I believe that if the minister will do that he will take at least eighty per cent of the present settlers and farmers of this country off relief. I remember a few years ago, when the late Hon. J. E. Perron was Minister of Agriculture of Quebec, I asked him in the second year of that policy how much he had spent for land bonusing and land ploughing. He said that he had spent, in round figures, $350,000, and that he thought it was the best investment the province of Quebec ever made. It may astonish the committee to learn that in my own constituency, which has the finest soil in the northern clay belt, nearly eighty per cent of our settlers and farmers are on relief. Direct relief to our settlers has been a curse. They do not want it; they want a certain amount of occupation on their own farms, and work, and I believe that it is within the capacity of the federal government to inaugurate a land bonusing scheme in the wooded areas of this dominion. I have no time to enlarge on this, and it is not my intention to do so. There should also be a bonus on ploughing. If these measures are taken, the eighty per cent of the farmers who are looking for relief at the present time will find fruitful occupation on their present holdings and clearings. I say that sincerely, as one who knows the situation. I have spoken to hundreds, if not thousands of our own settlers, and they have told me that they do not want to have money handed to them without doing work for it. I do not believe in governments inaugurating big public works schemes in rural sections, but an extensive road policy should be established. The farmers have all the work they can accomplish on their own holdings; that is particularly true of those in the wooded sections. I hope the minister will find it possible to give a little study to these suggestions, and if he adopts them I am positive that in a year's time he will be astonished at what will have happened as far as direct relief is concerned among the settlers and farmers of our country, and that will certainly make them more self-reliant.

[Mr. Rogers.]

Mr. MacINNIS: Could the minister tell the committee the rate of wages paid to labourers on these various projects?

Mr. ROGERS: The works are actually done, as probably my hon. friend knows, by the provincial governments themselves. Tenders are called for by the provincial governments, and they actually let the contracts, the dominion government making a contribution for this purpose and also exercising continuous supervision of the work as it progresses. In our agreements with the provinces whereby we make a financial contribution for these relief works we have had inserted clauses providing for the payment of current or prevailing wages and also for the recognition of the eight hour day. I think I might take this typical agreement and quote from it the provisions touching the matter raised by my hon. friend:

All workmen shall be hired through government bureaux wherein the dominion may instal a representative, and a proportion of said workmen to be agreed upon by the parties to this agreement shall be taken from relief lists.

This is the agreement between the Dominion of Canada and the province of Manitoba of July 10, 1935.

(b) No person other than residents of Canada shall be employed.

(c) No resident of Canada shall, with relation to his employment, be discriminated against by reason of his religious views or political affiliations.

(d) Political favouritism and political intimidation shall alike be avoided.

(e) The maximum number of hours of work per day per employee shall be eight.

(f) The rates of wages paid shall be fair and reasonable and shall be fixed by the municipalities with the concurrence of the province.

(g) Only goods and materials of Canadian manufacture or production shall be used if available.

Mr. McIVOR: I should like to support the remarks of the hon. member for St. Boniface. I think a thorough investigation should be made in connection with that contractor in greater Winnipeg who is taking money in the worst possible way. To me it is the worst kind of graft that a contractor should take for himself the money of the taxpayers that has been voted by parliament for the relief of the needy.

Mr. STEWART: I have secured the statutes of 1935 containing the Supplementary Public Works Construction Act, which is chapter 34 of the statutes of that year. Section 2 of that statute, I think, meets the point raised by the hon. member for Fort William. That section reads:

The governor in council may authorize the execution and completion of the several works

and undertakings mentioned in schedule A to this act, and for such purposes may authorize the performance of such acts and the execution of such contracts as may be deemed necessary and expedient: Provided, however, that in the execution of such works, as far as practicable and consistent with reasonable efficiency and economy, first consideration shall be given to the employment of those who if available and competent are most in need in the locality in which the works are to be performed, without any discrimination whatsoever; preference being shown to unemployed ex-service men and unemployed married and single men with dependents; and that the minister of the department responsible for the execution of such works may take such action as he may deem necessary and proper to enforce compliance with the foregoing provisions.

Exactly the same provision has been embodied in Bill No. 19, which was brought down by the minister this session, and if I remember correctly the contract for this work also contained a similar clause, so that where the work is done by contract the contractor is under obligation to follow these specifications.

Mr. HOWDEN: I am not finding fault with these works, but this rumour came to me through a former contractor who is now working as an inspector on this job. If his statement to me is true a fifteen foot section of that sewer cost $570, and that amount of money was paid to the contractors. Of that amount $50 went for material and $62 for wages. If that is true it is a queer state of affairs to find during this depression, when we are trying to relieve distressed people by the expenditure of government money.

Mr. STEWART: All I have to say is that we received similar complaints, and almost invariably on investigation we found that they were not well founded. I cannot understand how any such condition could exist.

Mr. DOUGLAS: Might I also suggest to the minister that in checking up on these fair wage agreements the matter of the charge for bed and board should be looked into. I have in mind a project which I drew to the attention of the minister last December, in connection with which the prevailing rate of wages I thought was too low, namely twenty-five cents an hour, and the charge per day for board seemed quite excessive. I remember that several years ago the provincial government of Saskatchawan tried to work out something in connection with the lumber camps in the north country. When the men came out of those camps the charge for board and bed during the winter, and the deductions for the days when they could not work, left them very little indeed after they paid their railway fares back to their homes. That is a point which I think the department should watch very carefully.

Mr. BROOKS: In connection with the employment of the needy I think that section in the act is splendid, but my experience is that it has not been carried out. I know the returned soldier or the needy man is not always the one who is given consideration, and I am sorry to say that in many cases political expediency seems to be the consideration rather than the need of the individual. I know in some sections very little of the money goes to the men who really need it, so I think there should be some contract between the federal and provincial departments providing that abuses of this kind shall not enter into this work. I know of a great many cases in my own constituency, especially during last fall, where men were given work on these projects simply because they were supporters of a certain party and not because they were particularly in need of the money. I am very much afraid that in many projects of this kind more money goes to those who are not altogether needy but who have expressed their willingness to support a certain party for election purposes, than goes to those who are really in need. This was brought to my attention very forcibly last fall; it was quite a scandal in certain sections of my constituency.

I should think that where so much money is being expended for practically the sole purpose of helping the needy, the federal government should try in some way to curb the provincial government which has control of these expenditures. I should like to ask the minister if it is his intention to try to see that some control is exercised by his department over the expenditure of this money, which should go to the men who need it and not to the friends of some political heeler. In that connection I might say also that it was not always men with families who received this money. Very often it was young boys with no great responsibilities, who were given jobs because their parents had influential friends, or for some other reason. I am not saying this by way of making a charge at all; I am simply stating a fact, and I am sure the minister would be the last to tolerate such a condition if he knew about it. So I think the federal department should try to exercise some control over the provincial departments in order that the money which is intended for the needy people should go to those who deserve it.

Mr. ROGERS: I am wholly in agreement with my hon. friend as to the purpose of these expenditures for relief, and I can assure

him that we will do everything possible to see that the objects he stated are carried out. We have sought to effect that purpose in the past by the appointment, in the various provinces, of dominion representatives whose duty it was to see that the terms of the agreements were carried out effectively. I can understand that in the past there might have been some departure from either the letter or the spirit of the agreements, but obviously it is our duty to see that these expenditures are made in such a way as to have the best possible effect in reducing unemployment. After all, that is the object of the expenditures.

A moment ago my hon. friend from Leeds mentioned the clause that appears in the Supplementary Public Works Construction Act. If I remember correctly that clause was preceded by the phrase "as far as practicable." You always have these qualifications, and obviously there must be some restrictions. But that shows the need of effective supervision of the manner in which contractors, for example, procure their employees.

Mr. BROOKS: May I suggest that this might be done through the municipalities. In the small towns they always have a list of their unemployed, and are unprejudiced. Also in the parishes and counties it would be easy to get a list. As the situation is now there seems to be no system of that kind, and the money is not going to the people who deserve and need it.

Mr. BOULANGER: I notice that the vote is divided under headings which are fairly general. I wonder whether one of them is general enough to include the draining of bogs or marshes or savanes.

Mr. ROWE (Dufferin): That would come under "new projects."

Mr. ROGERS: Yes, the next item.

Mr. ESLING: Have any projects from British Columbia been suggested under this item?

Mr. ROGERS: Not under this item; this deals with projects already undertaken, but certain proposals have been made from a number of the provinces for new projects to be carried on during the coming year.

Mr. CAMERON (Cape Breton): I am in thorough accord with the suggestions made that moneys voted for relief purposes should be employed as far as practicable for that purpose. I am glad to see that even at this late date such suggestions are coming from different parts of the house. I am confining my remarks entirely to circumstances which came under my own personal observation. Relief money has been voted for four or five years now, but during 1931, 1932 and 1934 perhaps the last thing that one would surmise was that any relief work was being carried on. Men could not get work on any project unless they had a card from the chairman of the Conservative executive in the district. I protested against this then and I am equally ready to protest against it now. I do not think any discrimination should be made; selection should be on the basis of need only. I know one fairly substantial proprietor of a garage who had three trucks on a relief project, and I know of one man who was too proud to go on relief, and who had to borrow money but he could not have his truck put on the highway because he happened to be a supporter of the Liberal party. I know it is a characteristic of human nature to be virtuous when in opposition, and I welcome the signs of repentance which are now evident in certain parts of this chamber. I hope we have seen the beginning of a better day.

Mr. BROOKS: The shoe does not fit at all.

Mr. CAMERON (Cape Breton): I was not referring to the hon. member.

Mr. BROOKS: No, you could not. As a matter of fact I had considerable to do with local politics in New Brunswick—

Mr. CAMERON (Cape Breton): Never in New Brunswick.

Mr. BROOKS: —and I had a lot to do with unemployment when the former Conservative government was in office in Ottawa and there was a Conservative government in New Brunswick. I say that as far as those two governments are concerned the money that was expended was expended for the needy, but unfortunately since that provincial government went out of power on June 27 last, the money has not been expended in that way.

Mr. HILL: Coming from New Brunswick I may be pardoned if I do not allow those remarks to pass without comment. When the hon. member's friends were in power in New Brunswick the handling of relief money was notorious. I know of one case in which relief road work was carried on in my hon. friend's own constituency—

Mr. BROOKS: I could give a dozen.

Mr. HILL: —under the Conservative government in New Brunswick and in which twenty-five or thirty men were employed, supposed to be on relief and they came to the work in their own motor cars.

Mr. ROWE (Dufferin): I do not like to discredit the good name of Ontario but I think we could qualify in the same role. One newspaper advertisement said everybody was welcome to the Liberal association meeting and applications would be considered for jobs on a certain highway.

Mr. ROGERS: Apart from whatever feelings we may have as to what happened in the past, I take it we are all agreed as to the importance of inserting clauses which will ensure that this money shall go for relief purposes. That is the matter in which we are really interested at present. I do not feel that any useful object would be served by going into what happened in the past.

Mr. McCANN: If I understood the minister correctly he said that the purpose of spending relief money for these projects was to take from the relief rolls those who were employed on such works. Let me suggest to him that this is exactly what has not been done.

Mr. ROGERS: I agree with my hon. friend that we have a great deal to do in that direction.

Mr. McCANN: I say that is exactly what has not been done. It is a question in my mind whether the enormous expenditure on the trans-Canada highway is in the best interests of the country at the present time, or affords most help to the relief situation. Is it a good policy to transport people who are on relief to an unpopulated part of the country, and not give relief in those parts where it is most urgent? Even if people who are on the relief rolls were given preference with regard to employment, this does not to my mind entirely meet the situation, because a great number of people in counties in central and eastern Ontario, although not exactly on relief, are very much in need of work. I suggest to the minister that as the federal parliament is voting huge sums for the trans-Canada highway and other projects it should have something to say as to where and how that money shall be spent. I suggest to him that perhaps at this time a better policy with reference to road building would be to build feeders to the trans-Canada highway through eastern and central Ontario. At least one hundred miles of that highway go through the county which I have the honour to represent. Last year work was carried on in that county prior to the election. I do not propose to make reference now to how this work was carried on, but the hon. member for Dufferin-Simcoe (Mr. Rowe) knows all about the patronage element at that time.



Mr. ROWE (Dufferin): I know nothing about the hon. member's district.

Mr. McCANN: I want to urge the necessity of the federal government keeping supervision over that part of the money which they contribute to these public works. I say to the minister that we, the government and its supporters, are held equally responsible with the provincial authorities for the efficient and economical carrying on of this work. I must say that, in some instances, it was not well done. There is at the present time in Renfrew county a strip of road which was built just last fall, and part of which has already gone to pieces. I do not know whether the federal authorities had inspectors there last year, whether the contractors carried out the terms of their contract, but I know that at the present time the federal authorities are held equally responsible with the provincial government for the manner in which this work was done.

Relief is a very important problem in the county of Renfrew at present. There is an unfinished part of the trans-Canada highway in that county. I have been urging upon the provincial government for the last three years the necessity for starting that work immediately in order to furnish relief, especially to the town of Arnprior, which with a population of four thousand people has over one thousand on relief. It is hard to get the province to take immediate action. My submission is that when a contribution of fifty per cent is being made to that work it is the duty of the federal authorities to urge that it be started immediately, and that they have equal supervision with the provincial authorities. I would further suggest that through the counties of Hastings, Peterborough and Renfrew feeders be built to the transcontinental hiwhway, and that federal expenditures be made in that connection to afford some relief of the distressful conditions existing in those counties at the present time.

Item agreed to.

Amount required to provide for administration expenses generally, including salaries and travelling expenses, $175,000.

Mr. ROGERS: As hon. members are aware, the unemployment relief branch of the Department of Labour has a temporary status, and in the past provision for administration expenses has been made through the provisions of relief legislation. We are now seeking to make provision in the estimates, and the amount of $175,000 is the sum which we anticipate will be required for this purpose in the coming year.

Item agreed to.

Other projects—amount required to provide for expenses of the national employment commission, including salaries and travelling expenses, $125,000.

Mr. ROGERS: The same applies to this item.

Mr. STEWART: What progress is the minister making in the appointment of the commission which, I am sure we all agree, should be working now? Legislation has been passed and announcement has been made as to the chairman of the commission, and I believe hon. members and the people of Canada generally would be interested in having the minister announce the complete personnel and when it will begin to work. If he is not in a position to make a statement just now, could he say when the commission will be appointed?

Mr. ROGERS: I can understand the interest taken by the hon. member in the announcement with respect to the personnel of the national employment commission. As the committee is aware, some progress, I think I may say notable progress, has been made towards completing the personnel. I am not in a position to-day to announce the complete personnel, and I believe there are obvious reasons why, before further announcement is made, the complete personnel should be within our knowledge. I believe, however, that it will shortly be possible to make an announcement respecting the personnel of the national employment commission.

Mr. STEWART: Has anything else been done by way of drafting a plan or scheme for the commission, or is that to be left to the commission?

Mr. ROGERS: That work will be given immediate consideration by the national employment commission, but I may say that there have been preliminary conferences with Mr. Purvis who, as the committee is aware, has indicated his willingness to accept the chairmanship.

Miss MACPHAIL: Does the $125,000 cover employees who will work for the commission, or is it just for salaries of the commission and additional travelling expenses?

Mr. ROGERS: It is intended to cover all expenditures connected with the national employment commission, with such fees or travelling expenses as may be required by the members of the commission, and to cover such administrative staff as may be necessary.

[Mr. Rogers.]

Mr. ROWE (Dufferin): This is about the only new feature in addition to what was done by the former government. While the personnel of the commission has not been named, I believe the Prime Minister announced that Mr. Purvis of Montreal would be the head of it.

Mr. ROGERS: As chairman designate, shall I say?

Mr. ROWE (Dufferin): Chairman designate, the minister says. It would not cost him anything, so long as he is just chairman designate. I believe at this time the committee should be advised as to how much salary these men are to be paid. We are asked to vote $125,000, to include salaries and travelling expenses. If Mr. Purvis were going to ask for a salary, I should not think he would ask for a small one. He is not one of the unemployed, but has been very busy. He is one of the largest industrialists from St. James street, Montreal.

Miss MACPHAIL: Maybe he does not need the money.

Mr. ROWE (Dufferin): As the hon. member has said, perhaps he does not need the money. So that if it is an honorarium we would be glad to express our gratitude to Mr. Purvis for his effort, and if it is a salary we may expect it will be a substantial one.

Mr. ROGERS: As the hon. member will understand, the actual appointment of the national employment commission has not been made. I believe it was fully understood by hon. members that Mr. Purvis had indicated his willingness to accept the position. May I say, however, in answer to remarks by the hon. member which, I believe, were received with approval by some other hon. members, that from all I know about Mr. Purvis, from all I learned through conversations with him, the house and country at large will have reason to be grateful for his offer to assume this most difficult and responsible post. I believe I may also say that when we understand the conditions under which he has accepted the chairmanship of the national employment commission we shall have reason for further confidence in the high sense of public duty held by some industrial and commercial leaders in Canada.

Mr. ROWE (Dufferin): Of course that is true, and we would not expect the government to select as the head of a commission a man who had not those peculiarly fine qualities. I have no doubt that even the announcement of the appointment of Mr. Purvis enlists a substantial amount of con-

fidence. Undoubtedly he has been a successful man and one whose integrity is above reproach. However I think that is all the more reason why we should know what his salary will be, and what those of the other commissioners will be. If we are expected to pass a vote of $125,000 we should have information enumerating salaries, travelling expenses and so on. If Mr. Purvis is head of the commission, or is chairman designate as we were told, no doubt he has considered working for either no pay or small pay, or a rate of pay commensurate with his merits.

Mr. ROGERS: I have no desire to withhold information from the committee, but I can only say that I am unable at present to give the information. I believe my reasons will be obvious to hon. members.

Mr. MacNICOL: Does the vote of $125,000 cover the salaries of the commission and secretaries?

Mr. ROGERS: Yes, it covers all expenditures which we anticipate.

Mr. MacNICOL: That is, the expenditures of the several commissioners.

Mr. ROGERS: Yes.

Mr. MacNICOL: For how long?

Mr. ROGERS: During the coming year.

Mr. MacNICOL: That would be at the rate of approximately $18,000 per commissioner?

Mr. ROGERS: This covers such administrative posts, secretarial and otherwise, as may be set up.

Mr. MacNICOL: Office expenses?

Mr. ROGERS: Yes; it is designed to cover all the expenses connected with the administration of the national employment commission and their various investigations.

Mr. MacNICOL: And office equipment? Will there be motor cars for the commissioners?

Mr. POULIOT: I should say that $125,000 is a large amount of money. It is equal to the salaries for a period of four years of three ministers who, owing to the merging of departments, will not be appointed. That is, the national employment commission will receive in one year the salaries that three ministers would receive during four years, so that the merging of departments will really mean no economy in the end. I would like to make a suggestion to the minister. A member of this House of Commons has done part of the work which is to be assigned to the national employment commission. He is still ready to do that work for nothing, and if the government is ready to accept him it will save $125,000 because he will do the job for nothing provided he can pick up a staff of people to assist him in the work. It seems a fair offer, to save the country $125,000.

We do not know the names of the gentlemen who will be appointed with Mr. Purvis, but I know that one who will be recommended is a man who has been idle since July of last year. Although he has been receiving a salary at the rate of $8,000 a year he has done nothing except draw his cheque. He has done nothing all his life, and yet he is going to teach the unemployed how to work. I find it inconceivable that there should be in the department a person who has done absolutely nothing all his life except submit reports to the government once a year. He is well known; I shall not identify him more closely than that. Since July last he has been receiving a very large salary. He is still doing nothing and he is being recommended to teach the unemployed how to work. Everybody knows him. It is no secret. I find this most extraordinary, and I hope that the minister will take into consideration the suggestion I have made when the names of the commissioners come formally before the government.

Mr. LAWSON: Is there anywhere else, either in the main or in these special supplementary estimates, provision made for the administration of the Employment and Social Insurance Act which has been referred to the supreme court?

Mr. ROGERS: The administration of that act does not come under the Department of Labour.

Mr. LAWSON: I beg pardon; I thought it did.

Mr. ROGERS: In any event there would be no provision for that here. The place would be in the general estimates.

Mr. LAWSON: I was just wondering whether there was such provision made.

Mr. MacINNIS: The minister in reply to a question in regard to the salaries of the national employment commissioners referred to four commissioners.

Mr. ROGERS: Not to my knowledge. I must have been misunderstood.

Mr. MacINNIS: Do I understand then that seven commissioners will be appointed?

Mr. ROGERS: The act provides that not more than seven will be appointed.

Mr. MacINNIS: Has the government come to any decision as to the number that will be appointed?

Mr. ROGERS: The decision of the government will be apparent when the announcement is made respecting the personnel of the commission.

Mr. MacINNIS: I am quite aware of that because you cannot very well keep it under cover, but I would like a little information now, particularly in view of the fact that this government, when in opposition, was very loud in condemning the former government, which action I did not mind at the time, for its blank cheques. This, in my opinion, is another species of blank cheque. If my memory serves me aright the salaries of the various commissions that were established by the former government were mentioned in the act itself, at least in some cases, and the house knew when it was dealing with the bill what the salaries of the commissioners would be. The present government now wants a blank cheque for a certain number of commissioners not exceeding seven, and we are not to be given any information as to their salaries until such time as the appointments are made and the salaries fixed by order in council. I think before we pass this item we ought to know how many commissioners are going to be appointed and then we would have some idea of what their remuneration would be.

Mr. ROGERS: I sought to explain to the committee, when this item was first brought before it for consideration, that this amount was intended to cover not merely the fees or living allowances or expenses of the commission but also such secretarial or other administrative staff as might be established to assist the commission in its investigations and in carrying out its duties as laid down in the act. This is only an estimate. We are obliged to work on the basis of an estimate. We are entering a new field which has not hitherto been explored. We believe that this amount will be adequate for the purpose, but in advance of an announcement of the personnel of the commission, which, after all, is the decision of the government and not merely the decision of the Minister of Labour, I am not able to give my hon. friend the information he requires as to the precise fee or living allowance that will be given to each commissioner. This commission differs somewhat from others in that it is a continuing body over a period of a year at least, and possibly longer. So far as royal commissions which are set up under the Inquiries Act are concerned, there is in it no limitation upon the amount which shall be paid to the commissioners, and in the past there has been a wide variation in the amounts paid to royal commissioners, either in the fees allowed or in their living expenses. So far as other commissions are concerned, my hon. friend has in mind perhaps the tariff board and the railway commission. They are continuing bodies, really a part of the civil service, and it is simpler, therefore, to provide for them by means of the regular estimates.

Item agreed to.

Amount required to provide for farm placement scheme, $1,000,000.

Mr. ROWE (Dufferin): Would the minister explain the difference between this farm placement scheme and the farm settlement and rehabilitation scheme? I notice that $1,000,000 is appropriated for each.

Mr. ROGERS: The farm placement scheme is a plan that has been in operation for some years and has been found on the whole a satisfactory method of affording food and shelter, and ultimately an opportunity for employment, to single homeless men who otherwise would be on relief in our cities. The farm placement scheme was commenced under the provisions of the 1931 Relief Act, at which time the dominion government contributed fifty per cent of the cost. This plan was put into effect by Manitoba and Saskatchewan. In Manitoba a total of $10 per month per placement was paid out, $5 for the worker and $5 for the farmer. In Saskatchewan the provision was $5 to the worker and $10 to the farmer. Under the 1932, 1933, 1934 and 1935 legislation the dominion has paid $5 per month in respect of each placement, this being given to the worker. The dominion has made different contributions to Alberta and it is understood that to some extent the federal contribution of $5 per month has been supplemented by the province. I have before me the number of those who have been placed in this way. I received a very encouraging letter from the Minister of Public Works and Labour of Manitoba, which perhaps I might quote. He said:

I wrote to you some time ago about the results of the Manitoba farm placement plan for single men. You will recall that we received post cards indicating whether the boys were staying or not.

Up to date we have received 2,950 replies, out of which 1,937 are either staying or still negotiating terms.

On the whole I think that is very encouraging.

Sir GEORGE PERLEY: How much was spent in this way last year?

Mr. ROGERS: In Manitoba the figure is $28,021.20; in Saskatchewan, $18,951, and in Alberta, $4,383.72. Those are the only provinces that have taken advantage of the farm placement scheme.

Sir GEORGE PERLEY: When the minister expended only something like $50,000 last year, will he tell us why he puts in an item of $1,000,000 for this particular scheme?

Mr. ROGERS: I shall be very glad to deal with that question, which I believe is a natural one.

Sir GEORGE PERLEY: I think it will be pretty hard to explain.

Mr. ROGERS: The reason will be found in the strong support given to farm placements by hon. members from the western provinces during the previous debate. My hon. friend will doubtless remember the remarks of the hon. member for Portage la Prairie (Mr. Leader). There is another factor to be considered. We have determined, we believe on good grounds, to close the relief camps and it is possible that we shall be obliged to make greater use of this farm placement scheme. We may have to offer greater inducements to the farmers in order to relieve the large centres of population of the single homeless men who otherwise would congregate there during the winter months. Obviously this is only an estimate of what may be required, but we wish to arm ourselves with the means of dealing with this situation should it arise. It may be possible that this scheme will be extended to the other provinces.

Sir GEORGE PERLEY: I am very much in favour of this plan and I always have been. I have always been sorry that more use has not been made of it. I heartily sympathize with the minister who has given his department a great deal of attention. He is very much interested in these matters, but so far as I have been able to ascertain, he is following the same plan that we followed during the years we were in office. He has stated that this farm placement plan has worked out very well and that he has come to the conclusion to make more use of it if he can. Without introducing any politics into the matter, I think that what the minister has said would indicate that the previous government had done the best it could under difficult circumstances. The minister is inclined to follow along the same lines followed by the previous government. It is true he has said he proposes to close the relief camps and I hope he will succeed in doing so.

Mr. ROGERS: With the assistance of the national employment commission.

Sir GEORGE PERLEY: I shall come to that. I hope he will be able to close the relief camps, but he must not forget that he will have to provide for these men in some other way. There will be unemployed single men to be taken care of and many of them will not want to go to work on farms. If the minister closes the camps he will have to find some substitute for them. I think all this shows that the previous government took care of these single unemployed men in the right way. It has been stated in reports, as well as by the minister, that conditions in these camps were quite good. I should like to refer to the many references made to the so-called blank cheques. Apparently the minister has adopted the same line of reasoning. He wants perhaps $100,000, but he puts in $1,000,000 in order to have enough to spend.

Mr. ROGERS: It is not a blank cheque as the amount is stipulated.

Sir GEORGE PERLEY: Technically it may not be a blank cheque, but I think it is the equivalent of one when the minister puts in an item of $1,000,000 when he may need only $100,000. He finds himself unable to make anything like a close estimate of what the cost is going to be, the very reason why the previous government passed the legislation they did. They were unable to make a close estimate of what would be required and the minister finds himself in exactly the same position. He was unable to make a close estimate of what was required, so he decided to provide for an ample amount in order that he might not be short of funds for this purpose.

At six o'clock the committee took recess.

## After Recess

The committee resumed at eight o'clock.

Mr. POULIOT: In view of the evidence of the right hon. leader of the opposition (Mr. Bennett) at page 194 of the report of the committee on banking and commerce—

Some hon. MEMBERS: Order.

Mr. BENNETT: This is not the place for that; the House of Commons is the place.

The CHAIRMAN: Is the hon. member speaking on a question of privilege?

Mr. POULIOT: Yes.

The CHAIRMAN: I am sorry: it cannot be brought up before the committee.

Mr. POULIOT: I think it can be brought up anywhere, that I am willing to withdraw the six first lines of the first column of page 2214 of Hansard.

The CHAIRMAN: With all due respect to my hon. friend, he cannot bring it before this committee. He has to bring it up when the Speaker is in the chair.

Mr. POULIOT: Well, I have shown my willingness, anyway. I will not do any more. I think that is enough.

Mr. BENNETT: Well, we will see as to that.

The CHAIRMAN: We are still on item 333, which was before the committee when it rose at six o'clock.

Mr. DOUGLAS: Could the minister give us any idea of what plan the government intends to follow with reference to this farm placement scheme? I am very interested in it.

Mr. ROGERS: As I think I pointed out this afternoon, the farm placement scheme as now operated has been adopted only in the three prairie provinces. We have placed in the estimates this large amount in the expectation that other provinces will wish to avail themselves of the opportunities afforded under this scheme to place single homeless men on farms during the winter months. There is also this other possibility, that the scheme may be extended beyond the winter months. At the present moment I am not able to give my hon. friend a precise plan. Obviously it is the type of project which ought to be considered very carefully with the provinces, and when we meet the provincial authorities. as we shall do within the next few weeks, we shall discuss this question with them.

Mr. DOUGLAS: What I had in mind in asking the question was whether the federal government had some precise plan in mind. It is true that some sort of plan has been operating in the prairie provinces during a winter or two, but during this last year no such scheme has been operating in Saskatchewan.

Mr. ROGERS: Oh yes, it has, if my hon. friend will permit me to correct him. It has operated in Saskatchewan, Alberta and Manitoba. As a matter of fact I have before me the figures for Saskatchewan during the last year. Under the 1935 act 6,700 single homeless men were placed on farms in that province.

[The Chairman.]

Mr. DOUGLAS: Was that under the old scheme whereby the farmer received $5 and the man received $5?

Mr. ROGERS: That is under the scheme which has been in operation during the last two years, under which the dominion government has paid $5 a month to each man who has been so placed.

Mr. DOUGLAS: But nothing to the farmer?

Mr. ROGERS: Not to the farmer.

Mr. DOUGLAS: That scheme must have been discontinued, because I have received a number of communications from farmers who have applied to get under the scheme and who were told that it had been discontinued. Apparently the $5 to the man is being continued but the $5 to the farmer has been discontinued.

Mr. ROGERS: I might point out that under the farm placement scheme $5 was paid by the province, and the province has discontinued paying $5 a month to the farmer. The dominion government under this scheme in the last two years has continued to pay $5 a month to the man who was placed on the farm.

Mr. DOUGLAS: I think the minister realizes the need under this item for some type of scheme. I do not intend to go over what was dealt with again and again in the house while the question of unemployment was being discussed, namely the need for some means of providing work for the large number of unemployed farm labourers. Just before recess the question of the blank cheque was under discussion. The minister said that it was not a blank cheque because the amount of money was specified. It seems to me that in a cheque you fill in not only the amount of money but the payee. Yet here is a million dollars to be spent, with no concise or precise details or even information of a general nature as to how the money is to be spent. I think the committee is entitled to some outline of the procedure the government intends to follow in the placement of agricultural labour.

Mr. ROGERS: I am sure my hon. friend does not suggest that we should include in this item the names of those who will receive this $5 a month from the dominion government. Obviously that would not be a reasonable suggestion. In ordinary estimates, although an accurate description is given of the project for which the money is to be appropriated, that is as far as one can go with respect to appropriations. In this particular matter we have set forth in the estimates a certain sum for farm placement. That leaves us some latitude to discuss with the provinces the

precise terms under which we shall proceed in this farm placement scheme. The acting leader of the opposition, the right hon. member for Argenteuil (Sir George Perley), referred before six o'clock to the fact that we were continuing a number of schemes which had been inaugurated by the preceding administration. I make no apology for that. We shall cleave to that which is good and reject that which we find evil; as far as I am concerned I should like to have it understood distinctly, in regard to this whole question of unemployment, that I am prepared to share the credit with anybody as long as we can get on with the job, and that, I take it, is the view of all hon. members on this side of the house.

Mr. BENNETT: It will be recalled that the late government appointed an official of the Department of Finance to ascertain whether the moneys which were being advanced for the purpose were being paid to those who were validly entitled to them under the farm placement scheme. Is such an official being continued now in this work, or have his services been dispensed with? That is the first question. The second is: Has the minister seen the report or was a report made by the representative of the Department of Finance with respect to farm placement payments in Saskatchewan? My third question is: How many persons are receiving farm placement payments in Saskatchewan at the present time; of the number, are any of them farmers' sons; and as a result of the investigation by the representative of the Department of Finance, how many of the whole number could be considered as persons entitled to receive the payments?

Mr. ROGERS: I have not before me the report from the Department of Finance.

Mr. BENNETT: There has been a report, has there?

Mr. ROGERS: I am not aware—

Mr. BENNETT: That is what I am assuming.

Mr. ROGERS: I am not aware of any such report. I know in the past, there was some criticism of this scheme upon the ground that it lent itself to an exchange, so to speak, of farmers' sons whereby this $5 a month could thus be made payable to each of the farmers taking part in that transaction; that is, it could be made payable to them through their sons. I believe that as a result of charges of that kind great care has been exercised in the selection of men to be sent to farms under this scheme. Under any arrangement of this sort I suppose there is an opportunity for fraud. I can only assure the committee that in our discussions with the provinces we shall bring this point to their attention and try to arrange matters in such a way as to eliminate this possibility of fraud as far as that can be done. I say to the committee that on the basis of the information which has been placed before me this would appear to be a promising method of providing relief to single homeless men. I am not suggesting that all single homeless men are willing to come under the scheme, but those who do have some urge to take up a rural life, and our information is that a considerable number of the men remain on the farms on a wage basis during the summer months, during the seeding season and the harvest season, following the completion of the period during which, under the farm placement scheme, they receive $5 a month from the dominion government.

Mr. BENNETT: I am afraid that the minister's statement does not go quite far enough. When the scheme was launched by the Minister of Labour of the late government it was intended to meet what was regarded as a situation of some difficulty. All of the single homeless men were not put in camps, and wherever there was an opportunity of providing them with employment on farms it was believed that this might create a sentiment, perhaps not as strong as an urge, but at least a liking for rural life that would ensure their remaining on the farms and ultimately going into agricultural pursuits. It must be remembered that the scheme is not entirely new; it has been going on for a considerable period of time.

Mr. ROGERS: Four years.

Mr. BENNETT: Yes, four years. Mr. Gordon, the previous Minister of Labour, was satisfied with the results which were being obtained, when information was conveyed to the government that there were abuses under the scheme, and in the public interest it was felt desirable to protect the exchequer from, shall I say, improper payments. Those who read the last report of the commissioner of unemployment relief will realize the difficulties that the auditor general has had and that we have had, too, in consequence of complaints which were received in respect to the broader question. With regard to these farm placements we did send a man to the west; I am trying to think of his name.

Mr. ROGERS: Mr. Burgess?

Mr. BENNETT: Yes, Mr. Burgess. He was sent to Saskatchewan with instructions to cooperate with the provincial government and see that there was no improper use of the moneys provided for the purposes indicated. My memory is that he is no longer employed; that he was removed from his position. I have this recollection, however, that before we left office there was on the farm placement list a number totalling something like five thousand said to be entitled to these payments, and the check by Mr. Burgess indicated that no such number were legally entitled to receive payment. The matter was being still further investigated when the election took place.

I do not want to be insistent about this matter, in view of the situation, but I am curious to know just how the matter stands now, because at the time the reports were made they indicated that some immediate and drastic action should be taken to prevent the improper use of public moneys under the circumstances to which the minister himself has referred. It was an opportunity for, shall I say, an easy diversion of public funds from one purpose to another. I should like to have that information, as far as it is possible to obtain it, with regard to the period since last October, because during the winter the payments were made more extensively than at other times of the year; in fact it was originally intended to confine the operation of this scheme to the winter. I am not sure whether it was extended beyond the winter this year.

Mr. ROGERS: No.

Mr. BENNETT: That being so, I think the records of the Department of Finance and of the minister's department will indicate just what has been done since attention has been directed to the situation to which I have referred. How are the payments made now, as a matter of fact? How were the last payments made to those entitled to receive them? Perhaps the minister could tell me that?

Mr. ROGERS: In the first place I may say that no report dealing with this matter, sent in by any official, has been placed before me, but I did have some knowledge of certain criticism which had been directed against the scheme in its actual operation. Perhaps I should add also that Mr. Burgess, whose name I mentioned a moment ago as having had some connection with this matter, was sent to Saskatchewan, I think, to deal rather with the distribution of the accountable advance to that province in connection with the drought area.

[Mr. Rogers.]

Mr. BENNETT: I think his instructions were to deal generally with all the moneys which were being paid by the dominion, to satisfy the Minister of Finance that the payments reached the persons who, under the agreement made with the Department of Labour, were entitled to receive them. I think that is the fair way to put it.

Mr. ROGERS: If any report of that kind is in existence I shall certainly avail myself of it.

Mr. BENNETT: I think there is; I was told there was.

Mr. ROGERS: As to the payments made to the provinces under the farm placement scheme, we are presented with certificates from the provincial governments as to the number of men placed under this scheme when it is in operation during the winter months, and on the basis of these certificates we make our payments to the provinces. I might give the numbers of men concerned in the various provinces during last winter, because this will indicate that the scheme has had a considerable measure of success. The figures are as follows:

| | |
|---|---|
| Manitoba | 5,200 |
| Saskatchewan | 6,700 |
| Alberta | 2,269 |
| | 14,169 |

In other words during the winter months you have a larger number coming under this farm placement scheme than the average number, let us say, who have been in the relief camps. The scheme does not operate in the summer time.

Mr. DOUGLAS: Would it be possible to know just what money has been paid to the western provinces under this scheme?

Mr. ROGERS: My hon. friend will find that information in the report of the commissioner of unemployment relief which was tabled in the house a few days ago, and which I understand has been distributed to members of the house. I trust that it has been so distributed; instructions were given to have that done.

Mr. DOUGLAS: Has the minister at hand the figures for last year?

Mr. ROGERS: The total amount is in the neighbourhood of $50,000. Some accounts, of course, have not been received as yet, so the total will be considerably in excess of that figure.

Mr. LEADER: It has been suggested that some abuses may have, and I believe have, prevailed under this scheme. So far as Manitoba is concerned, I was informed by a member of the government that there had been no widespread abuses. I just want to make that statement to the committee, because I have more or less advocated this scheme in the past, though I realize that it is not an entirely satisfactory way of taking care of our single homeless unemployed men. But I would prefer to have them go out among the farmers rather than have them maintained in the relief camps.

Mr. COLDWELL: The difficulty in connection with this problem is lack of information regarding it by people on the prairies. For example, I have before me a resolution from a farmers' organization, urging that the same bonus be given to the farmers as to the railways, because of the probable effect upon the wages of farm help, which the farmers will be unable under the circumstances to meet. I have under my hand a copy of a letter received by a farm organization in Saskatchewan from Mr. Mitchell, director of labour transfers, in which he makes this statement:

> I regret very much that I was not sufficiently clear in my letter to yours of April 16. As you no doubt are aware, the government's policy evolves from day to day, and I endeavoured to intimate to you the position as it was of that date.

That is dated April 24. I can understand that people interested in this problem, receiving a statement of that sort that the government policy evolves from day to day, would not quite know where they stood.

Mr. ROGERS: If my hon. friend will allow me to correct him, he would understand from that letter that the reference to policy related to the finding of alternative employment for men in relief camps.

Mr. COLDWELL: No, I did not gather that from the letter. There is no explanation of that sort in it. It goes on to speak of the railways after that.

Mr. ROGERS: Well, that has to do with the same problem.

Mr. BENNETT: I think the information I mentioned should be available to the committee before this item finally passes. I am not going to ask that the item stand over in order to secure that information, but if on some item in the main estimates—I think the minister's main estimates are not all passed, are they?

Mr. ROGERS: No.

Mr. BENNETT: If he will secure the information and permit me to discuss it on one of those items, this will serve my purpose and not delay the passing of this item. Otherwise, having regard to the criticisms which were made against the late administration as to lack of careful attention regarding the expenditures of public money, and the appointment of Mr. Burgess to go to Regina, I think it is of the utmost importance that we should see what his investigations disclosed, if he carried on investigations in regard to farm placements. I have only had a hearsay statement about the matter, and therefore I shall not mention what that was, but in fairness to the late administration and the efforts they put forth to ensure that expenditures should be made in accordance with the will of parliament, I think we should know to what extent the investigations indicated that the certificates given by the province were wholly warranted as being within the terms of the agreement in that regard. And following that, of course, would be the matter of what has been done since October to continue those investigations and to secure accuracy with respect to payments during the winter months in the western provinces. If the minister will permit that discussion to be carried on in connection with one of the items in his main estimates dealing with this agricultural relief matter, that will be quite satisfactory for my purposes, and the item can pass. Otherwise I think, following the usual practice, it would be reasonable to ask that it stand until the information which is not now in the hands of the minister may be available. Whichever better suits the convenience of the minister is satisfactory to me.

Mr. ROGERS: Naturally I am anxious to expedite the passing of the estimates, and I express my sense of obligation to the right hon. leader of the opposition for his willingness to help, by leaving discussion of this point until the main estimates are before the committee. I ought to say, however, that I cannot at the moment recall any item in the main estimates which pertains to relief. As far as it is within my power I shall be very glad indeed to afford such an opportunity when the main estimates are before the committee.

Mr. ROWE (Dufferin): How much is this increased over the amount spent last year?

Mr. ROGERS: I think it is roughly indicated by the numbers. Under the 1934 act the numbers were 12,219, and the numbers under the 1935 act are 14,169. We pay $5 a

month. Of course these numbers do not necessarily represent those who have taken advantage of the scheme during the entire period.

Mr. ROWE (Dufferin): It depends how many months they worked.

Mr. ROGERS: Yes, quite. And these figures before me do not afford that information.

Mr. ROWE (Dufferin): Did not the minister give the amount before recess?

Mr. ROGERS: I gave the amount we have paid to date, but we make our payments on the basis of accounts rendered, and all the accounts have not come in. I am informed that they are about two months in arrears.

Mr. DOUGLAS: I notice under the Relief Act, 1935, the amounts paid to the different provincial governments on the prairies for farm placement are as follows:

| | |
|---|---|
| Manitoba | $28,021 20 |
| Saskatchewan | 18,951 86 |
| Alberta | 4,283 72 |

Totalling, roughly, $50,000.

Mr. ROGERS: Yes, those are the amounts paid prior to March 31.

Mr. DOUGLAS: Could the minister give an idea how much farm placement cost altogether last year?

Mr. ROGERS: Not until the accounts are all in, I am told that they are about two months in arrears. I think it would be in excess of $100,000.

Mr. DOUGLAS: The amount of $1,000,000 seems to be an increase over last year. If it means that we are to have an increase in this scheme I think the minister should be congratulated.

Mr. ROWE (Dufferin): The letter the minister read before recess is an interesting vindication of the former government, showing the number placed, evidently with satisfaction, and continuing their jobs. Now we find that the amount is increased for this year. I am sure that it is very interesting for you, Mr. Chairman, and those who sat in the last parliament, to recall the vigorous condemnation of this vote a year ago, when one follows the projects already undertaken and other projects to be undertaken. Not only are the same blank cheque system and the same projects, you might say, that were most vigorously condemned when the former government was in power being proceeded with, but the vote is being increased. I was glad to hear that letter of satisfaction from the people who have been dealt with, and it is striking to observe that the minister now brings in an increased vote, further illustrating the practice of the government from the beginning of the session of adopting policies which last session they vigorously condemned.

Mr. BENNETT: Looking roughly through the estimates I do not find in the minister's department an item that would enable us to discuss this matter further. Unless I have overlooked something I think the minister was right in what he was good enough to say.

Mr. MACKENZIE (Vancouver): The minister and my right hon. friend can agree to discuss the matter on any specific item.

Mr. BENNETT: But as the minister pointed out, possibly the chairman is bound by the rules to confine the discussion to the items themselves; therefore it might be held that I was no longer within my rights in endeavouring to discuss what I regard as very important, this whole question of farm placement, in view of the fact that the public exchequer is concerned solely with the certificates given by the province. If a certificate came in for $5,000, the dominion, until we appointed a special officer, did not make any investigation of it and paid the money out. But in consequence of information received it was thought desirable, yes, necessary, that this action should be taken. I am curious to know where we stand with respect to that matter since October last. While the winter is now past, from the standpoint of operation of the statute it will be of importance to the minister for future guidance, because he, like the rest of us, is particularly anxious that the exchequer should be charged only with money that he proposes it should be charged with for this purpose, and not for anything else.

I am in this position, therefore, that unless the report to the Department of Finance is available and we know exactly what the numbers are, I cannot discuss the matter. I should like to make it clear that if the item stands there is no doubt about our right to discuss it. But I cannot see any item upon which such a discussion might arise, and I thank the minister for thus frankly directing my attention to the point. I thought there was such an item, but I must say that I do not see it at this time. Unless we can have the discussion under some general item, which I do not see at the moment—

Mr. ROGERS: If there is anything I can do by consent I should be pleased to arrange to do it.

Mr. BENNETT: We can discuss it under an item respecting advances to provinces. Obviously that would be an item comprehensive enough for the purpose. Later in the estimates there is an item dealing with advances, and therefore it is understood that in not asking that this item stand there may be a discussion on a future item.

Mr. ROGERS: That is satisfactory.

Item agreed to.

Amount required to provide for agricultural settlement and resettlement, $1,000,000.

Miss MACPHAIL: I should like to ask the meaning of the word "resettlement." Does it mean settlement in another year? What is the difference between settlement and resettlement? After one settler has gone does another settler come in?

Mr. ROGERS: I agree that there is some redundancy. I take it that the reference is to original settlement, and a continuation of the provisions for settlement. I do not know that we are particularly restricted by the wording of the item. I agree with the hon. member that there is a possibility of a certain amount of confusion.

Mr. QUELCH: What is the difference between this item and item 310, which was piloted through the committee by the Minister of Agriculture? They appear to be about the same.

Mr. ROGERS: The explanation is that the item piloted through the committee by the Minister of Agriculture applied only to the drought area, where there is special provision for rehabilitation. This item is not so confined. Under it we are permitted to discuss with the provinces, and on agreement with the provinces to enter into schemes whereby those now on relief may be placed on the land. I believe I have mentioned before that existing relief settlement schemes are now in operation in only four of the nine provinces. Two other provinces have placed before the Department of Labour alternative schemes for land settlement, but we have not yet reached a decision regarding them. The present item is in the estimates so that if it should appear desirable we may be in a position to cooperate with the provinces which as yet have not entered into relief settlement schemes.

Mr. MacNICOL: Would this relief settlement include a scheme which was tried out in Ontario a few years ago, under which farmers living in remote districts in Haliburton county, and may be some from the remote districts of Muskoka—I am not certain as to Muskoka, but there were a number from Haliburton and from parts of Renfrew who resided on what was generally known to be poor land, but land which in former years was fairly well timbered. When the timber was taken off only rocks and gravel remained. The Ontario government moved quite a number of the descendants of the pioneer settlers from these districts to northern Ontario, and gave them land in the clay belt of that section, where crops grow well and prolifically. Does this vote cover such a scheme as the one I have described?

Mr. ROGERS: This vote is broad enough to cover any scheme of resettlement which might be negotiated with any of the provinces. I am not sure whether any of the localities mentioned by the hon. member fall within the relief settlement scheme, or within some settlement scheme inaugurated separately by the province. A number of provinces have carried on their own settlement schemes, or back-to-the-land movements, without support from the dominion treasury.

Mr. MacNICOL: Would the minister endorse a scheme such as I have outlined? Personally I am strong for it. There are many districts in Ontario and perhaps in other provinces where the original pioneers had to cut the standing timber. The land was covered with excellent pine, or other timber, and in due course as the years went by the timber was all taken off. The sons and daughters of the pioneers did not like to leave their native districts. Their relatives had been buried thereabouts; they had been raised there, but in time it became impossible for them to earn their livings. It was on that account that the Ontario government moved a number of them to northern Ontario. If the vote now under discussion covers a scheme such as I have described I would say it is a most worthy cause and one which should receive support. In the circumstances I have related, families raised on the soil, who apparently loved it, if we may judge from the length of time they stayed on it, were taken from where they could not make a living to a place where they could make one. If the vote includes a movement of that kind I maintain it is a worthy one.

Mr. STIRLING: I cannot find any reference to this item in the report of the dominion commissioner of unemployment relief. Is it a new undertaking?

Mr. ROGERS: The hon. member will observe that item 329 in the special supplementary estimates deals with commitments under existing projects.

Mr. STIRLING: I understand.

Mr. ROGERS: This is designed to permit the negotiation of new projects.

Mr. ROWE (Dufferin): Is this an increased vote?

Mr. ROGERS: Yes.

Mr. ROWE (Dufferin): I would say that the government is well justified in increasing the vote, if only as a further vindication of the former government's policy in this regard. I suggest that the government would have been well advised to make a much greater increase. From the information given to the committee this afternoon by the minister it was quite evident that those who were assisted on the settlement and resettlement basis secured much less, and that it took much less from the treasury of Canada to re-establish them on the land than it did to pay a man on relief to do nothing. The minister pointed out in answer to a question from this side of the house that he preferred to subsidize men doing something than to subsidize men doing nothing and thereby sacrificing their morale and initiative. At a time like this I believe the government might have been well justified in increasing the grant substantially. They could have worked out, in cooperation with the provinces from coast to coast, different schemes that would have cost the dominion treasury less than the cost of direct relief. The average cost of assistance under this scheme, as the minister pointed out, was considerably less per family —personally I think it would have been more than a hundred dollars less—than the cost of direct relief. I do not think we need any commission to satisfy this house and the country that if we can keep the head of a family working at some remunerative employment and producing for less than it costs us to keep him doing nothing, it is surely sound economics to keep him at work, and it also has the advantage of preserving his morale. But we have established an employment commission and provided this afternoon for their salaries and expenses, $125,000, although the minister told us this afternoon that he did not know how much each of the commissioners would receive, and they are to investigate and find some means of handling this gigantic problem which faces this government as it did its predecessor.

Before the commission reports to parliament at its next session we all hope that the major portion of this crisis will have passed, and it is quite possible that the government trusts that before the commission has found a solution the problem will have solved itself. I think the government, therefore, would be well advised to consider increasing this grant rather than providing $9,200,000 for new public works to be undertaken in cooperation with the provinces, building public works here and there, thereby constituting a steady drain on the treasury of the dominion. An expenditure of that kind simply means that millions will be spent to employ men in work that is only temporary after all, a few months' work in the summer before the snow comes next winter. It costs more than it would to settle them on the land; there is no permanency about it unless the government is going to ask parliament again next year for more millions for the same purpose, to build harbours here and there and highways in the byways and side roads of this province, and, as one hon. member said, in districts not densely settled the government could easily expropriate land and lay down pavement here, there and everywhere to provide what would be only short term employment after all.

I believe sincerely, and independently of politics altogether, that it is high time the government considered this problem with a view to finality and applied some policy which might have at least some semblance of permanency. The government might well have made provision for a larger vote than is provided here for this purpose. If under this vote you can place the head of a family on a farm, where he can take his wife and children and maintain himself and keep his self-respect in accomplishing something and making his own living, it is worth the price to restore the initiative and morale necessary to enable a man to carry on. I think two dollars spent in that way is a much wiser expenditure from a national standpoint than one dollar spent to give a man something for nothing. I think the former government as well as this government probably failed in that respect, and I would urge upon the government, and ask them to urge upon their advisers in this new and highly paid commission which is going to report perhaps after the major difficulties are over, that they should consider during this year an extension of this type of policy rather than expenditures which, after all, amount to only extravagant expedients to meet the needs of the moment and have no permanency about them.

Miss MACPHAIL: I think, Mr. Chairman, that we cannot tell if the scheme is a wise one or not until we know the number of people who have been forced off the farm through economic conditions over a given period of time, and until we know the cost to the municipality, in the first place possibly, to the province, and to Canada of forc-

ing these people off the land. I was astonished to hear the hon. member for Dufferin-Simcoe (Mr. Rowe) make the speech he did. I could not have believed until he spoke that he was a joy farmer, but the indications were strong in his speech.

Mr. ROWE (Dufferin): A what?

Miss MACPHAIL: A joy farmer.

Mr. ROWE (Dufferin): I have certainly had a lot of joy in it.

Miss MACPHAIL: And you must certainly have done very well to be willing to have everybody else go back on the land. One would almost think, to listen to this debate, that we could handle any number of people on the land, but the difficulty with agriculture in Canada to-day is that we do not know what to do with the products we produce on the farm. Members who are on the wheat committee are bothered about the wheat situation, and people who have to do with live stock are troubled about the live stock situation. Our problem is not underproduction. We do not need to go out and spend millions to bring in settlers from other countries or to get our own people to go back to the land. Our problem is how to get for our products a price which will enable the farmer to get a living from the commodities he produces. To put more people back on the land is simply to continue going round in a circle. You are on the land; you go broke, and no matter how much you might want to become reestablished on your own farm, it is absolutely impossible. You go broke. Innumerable farmers have high blood pressure and heart disease through worrying, and they have finally had to leave the farm and go on relief. After having forced them on relief, to propose to put them back on the land—why, it is a sort of merry-go-round. You are starting to work at the wrong end. I certainly want to disagree with the hon. member for Dufferin-Simcoe as strongly as I can for I do not think he was speaking as an agriculturist. May I ask the minister how many people have been put back on farms under this scheme, both in Ontario and in Canada?

Mr. BAKER: I do not take up much of the time of the house, but I would like to put myself on record that I sincerely regret this vote is not fifty million instead of one million dollars. I am absolutely convinced that the trouble to-day is that we have an unbalanced population, too many people in the cities and too few people on the land. Let us try to bring about a better balance. I would more willingly vote for this appropriation if it were fifty million dollars than the one million it is.

Mr. BLACKMORE: Following up what the hon. member for Grey-Bruce (Miss Macphail) has said, I draw the attention of the minister to something that might possibly be overlooked. We simply cannot overlook the fact which is being forced upon us, that farming as a business does not pay any longer. It was altogether different twenty-five or thirty years ago, but to-day we are faced with a new set of conditions. I should like to read an excerpt from a recent book by Stuart Chase. This book Government in Business was published in 1935 and although it deals with the United States, conditions in Canada are similar. I find the following on page 39:

> Even in such a prosperous year as 1927, Recent Economic Changes shows a net loss of $1,717,000,000 to farmers as a class, a loss enormously accelerated by the depression. Agriculture has failed as a self-sustaining sector of private business.

While I agree in the main that it is wise to get men out on the land, I think we should be careful not to make our country agriculturally top-heavy. If we do that we will regret it in sackcloth and ashes. We will have an agriculturally bankrupt community for the very reason pointed out by the hon. member for Grey-Bruce (Miss Maphail). If we can add to this idea of establishing men on the land the idea of establishing in the midst of a little community a factory, something like the sugar factory in the town of Raymond, where I have lived for some time, the farmers will have some means of adding to what they can make on their farms. If a proper combination can be arrived at, we shall be working on a sound basis.

I have lived on a farm all my life. My father was one of the pioneers in Alberta. I know of the good times years ago, and I know what bad times are like. I have brothers who are closely connected with the farming business and I know exactly the problems they are facing. I contend that any industry carried on in farming, such as pork production, dairying of various kinds and other industries, takes the most skilful man and the one who is ready to sacrifice himself, as far as clothing and amusements and that sort of thing are concerned, to make it go at all. If that is so, what is going to happen to the great majority of others? I contend that hon. members would be astounded if they could see a cross-section of the agricultural communities of this coun-

try. They would then see upon what a narrow thread people on the farms are holding out. Any hon. member who is acquainted with farming will bear out what I say. If we place great numbers of men on the land and do not provide other means for their earning a livelihood we shall be faced with disaster.

There are other industries than the sugar industry which might be established. For instance, potato processing factories could be set up. I have been in factories where potatoes could be processed into thirty different commodities, every one of which was saleable. These ranged from potato flour to alcohol, mucilage, paints and varnish, and such things as that. Such an establishment can be set up without a great deal of cost and it could be carried on by a small group of farmers located close by so long as it was in charge of a capable man. There are wood processing plants which could be set up in the wooded regions and which would enable the farmers close by to make a living. If we are to place great numbers of men on the land and have them permanently established, we must provide some additional means of livelihood. Many skilled farmers are just able to make it go; they are fighting to their utmost to retain the savings of a lifetime. I want to commend the minister for providing this item as it is a move in the right direction. Expenditures of this kind are wise, but unless some other means are provided to enable farmers to make a living, we shall meet with great disappointment.

Mr. THOMPSON: I had not intended saying anything on this item, but I hear so many arguments pro and con and see so many statements made about agriculture that I thought perhaps I should say a word before this item passes. I have farmed all my life, and I have on a farm to-day a son who is the fourth generation on it. If I had to live my life over again I should go back on a farm. I am surprised to hear hon. members talking about smoke stacks, tariffs and that sort of thing. If we want to build up agriculture in Canada we must build up industry in order to provide markets for our agricultural products. The urban and rural people in this dominion cannot fly at each other's throats; they must either prosper together or go down together. The people in the urban centres provide the markets for the agriculturist. Wherever you find an industrial town or city you will find the farmers prosperous in the surrounding territory. The reason is that they have markets for their products.

[Mr. Blackmore.]

I believe that this item is worthy of commendation and perhaps it should be increased. During the last four or five years we paid out about $700,000,000 for relief and what have we for it? We are not one bit further ahead to-day than we were when we started. I contend that the most sensible proposition which has been brought up in this house to deal with the unemployment situation is the proposal to place men back upon the land. Our forefathers came to this country and they settled in the primeval forest. They fought that forest and they conquered. The reason why the farmers are not making a success to-day is because they, like the municipalities, the governments and everybody else, have refused to live within their means. Everything we require, everything we eat and wear, must come from the dark brown earth; it must be taken from the farms and from the land of this dominion. Everyone is familiar with the old story that when Adam was turned out of the garden of Eden he was told that he must till the land and earn his bread in the sweat of his brow. That is what we lack in this country. We have thousands and thousands of acres of land which are fit for agricultural purposes, where men could make a living, but they want the white lights of the city; they do not want to go out and rough it a bit as their fathers had to do.

On several occasions I travelled through northern Ontario and saw there thousands of acres of land off which the pulpwood had been cut, and the people had deserted it. Yet that land was producing, wherever it had been sown, immense crops; they might not mature but they would provide an abundance of feed for stock. I know that any man who is willing to work and has average intelligence could go in there and make a living. I will say further that it takes more intelligence, more hardihood, more of the qualities that go to build up a real man, to make a success of farming than to prosper in any other business in Canada. We shall never be relieved of our unemployment until our people are willing to go on the land and earn their own living. This dole system that we have to-day is breaking down the morale of our people. I am in favour of any scheme that will assist men to go out upon the land and become independent citizens of this country.

Mr. QUELCH: I desire to say only a few words. If the government would take the necessary action to guarantee to the farmers of Canada the cost of production for their products, they would not need to in-

troduce any bill or any scheme to persuade the farmers to return to the land; there would be a general movement back to the land. The only reason farmers are able to stay on their farms now is because of the existing debt legislation. If that protection were removed the farmers would be forced off their land wholesale. Those who are carrying on at the present time can do so only by going progressively more into debt, and are we advocating that more farmers shall go into debt? The first step is to guarantee farmers their costs of production: if that is done, nothing more will be necessary to get back on the land those farmers who have left it.

Miss MACPHAIL: I asked some questions on the item which have not been answered.

Mr. ROGERS: I have not forgotten the question.

Miss MACPHAIL: I asked how many people have been reestablished on the land in Ontario, and how many in all Canada.

Mr. ROGERS: I remembered the question of the hon. member for Grey-Bruce, and was going to tell her that yesterday the question was brought up, and that she will find the complete table on page 2298 of Hansard of yesterday.

Mr. STEWART: Did the minister place on Hansard the amount expended last year under this same heading?

Mr. ROGERS: Yes. That was done, I believe, this afternoon.

Item agreed to.

Amount required for new works to be undertaken in cooperation with the provinces, $9,200,000.

Mr. HEAPS: Before this item is carried, the first question I should like to ask is what is meant by the words, "in cooperation with the provinces."

Mr. ROGERS: In the past, when the dominion government has assisted in the construction of works which ordinarily would fall within the jurisdiction of the provinces, it has done so upon the basis of a fixed contribution, either a fifty per cent contribution or a forty per cent contribution or less, as the case might be. This item is so worded as to permit of reaching agreements with the provinces upon the basis of a fixed contribution by the dominion for specified works, which will be set out in schedules attached to agreements with such provinces.

Mr. NEILL: Does that cover work on the trans-Canada highway?

Mr. ROGERS: That would cover any work undertaken by the dominion jointly with the provinces upon the trans-Canada highway. It is for existing commitments.

Mr. ROWE (Dufferin): Would that cover assistance to provincial highways and roads?

Mr. ROGERS: It would be wide enough to cover assistance to subsidiary highways, as well as highways which have been designated as part of the trans-Canada. It is wide enough to cover that.

Mr. STEWART: Could the minister give the amounts spent last year on undertakings similar to those embraced in this item?

Mr. ROGERS: I have before me the total amount expended in the last five and a half years, and I think it will explain to the committee how we have arrived at this figure of $10,000,000. The total amount spent by the dominion government in conjunction with the provinces on road work is $53,855,527.90, approximately an average of $10,000,000 a year. The $9,200,000 in this item would be $10,000,000, were it not that we have placed $800,000 under another item; it is allocated to the Winnipeg sewage disposal project.

Mr. STIRLING: Do I understand the minister to say that we are being asked to vote a little over $9,000,000 and that a description of what it will be used for will be given at a later date? Can he not tell us now what the expenditure is for?

Mr. ROGERS: It is not possible at this time. It was not possible, I believe, at this stage in any previous year—

Mr. STIRLING: But we worked under a blank cheque.

Mr. ROGERS: —for the government to announce precisely the projects to which the dominion government would contribute. But we have indicated that this amount will be used for works to be undertaken in conjunction with the provinces. That does not confine us to the trans-Canada highway; it does not confine us to a subsidiary highway. It permits us to enter into agreements with the provinces whereby projects shall be undertaken which will assist in reducing the relief rolls. When we are able to enter into these negotiations with the provinces we shall naturally inquire into those projects which will of themselves afford the maximum immediate employment, and which will as far as possible

supply additional collateral or ultimate employment. In other words, we hope to expend the greater portion of this money upon what may be termed developmental projects. It is not possible to be more precise than that at the present time.

Mr. WOODSWORTH: Could the minister give us some idea as to the allocation of this amount as between the provinces?

Mr. ROGERS: I am not able to give that allocation at the present moment. As I have examined the accounts for relief as between the dominion and the provinces during the last few years I have been impressed more and more with the fact that these accounts were, so to speak, running accounts. I know of no principle of distributive justice under which one could bring about a distribution of these amounts which would commend itself to everyone. We shall take into account the moneys that will be expended, for example, on public works in the various provinces, the amounts that will be expended under farm placement schemes, relief settlement, and so forth, and try to arrive at a distribution which will be fair and equitable. But we shall have to make that division in the manner which appears to be just and equitable in the light of expenditures in the past and in the light of other expenditures which are contemplated during the coming fiscal year.

Mr. WOODSWORTH: The minister says that the division should be fair and equitable, but surely he must have in mind some principle which would suggest what would be fair and equitable. Is it to be according to population? Is it to be according to the unemployment that exists in each province? Surely the minister must have some principle in mind.

Mr. ROGERS: Perhaps it would be more proper to say that we shall seek to obtain a distribution upon the basis of a combination of principles. If we were to put it on the basis of population it would work out unfairly to those provinces, for example, which have maintained very low relief scales as compared with other provinces. The same would be true if we worked it out on the basis of the number unemployed in relation to the total population. It is a matter of great difficulty to work out a principle of distribution that would be entirely beyond criticism. All I can do is to assure my hon. friend and other members of the committee that we shall seek to make that allocation among the provinces on the basis of need as we are able to determine it.

[Mr. Rogers.]

Mr. WOODSWORTH: If the minister has no principle in mind as to how this amount is to be distributed among the provinces; if he has no principle in mind as to what classes of work are to be undertaken, I should like to know how he has arrived at this figure of $9,200,000. Surely it must have some very definite basis.

Mr. ROGERS: I think I have already given the committee the statement that during the past five and a half years some $53,000,000 has been expended for relief works. That works out at an average of about $10,000,000 a year. The item under consideration provides for an expenditure of $9,200,000. There should be added to that an amount of $800,000 which has been allocated to the Winnipeg sewage disposal project, under another item

Mr. WOODSWORTH: All I can say is that we have waited for some weeks now for this moment to arrive. When we were discussing the earlier part of the government's relief program we were told that it was quite impossible at that stage for the government to disclose just what it had in mind. We had to pass at that time some general legislation which would empower the government to go ahead with matters of this kind. It will be recalled that we tried then to get the government to give us a full picture of the situation. Further, when another bill came up under which a commission was to be appointed to investigate and survey the situation, we asked what the government had in view. At that time we were told that there was still a third part of the scheme, consisting of the estimates, and that then we would know exactly the general scheme of the government with regard to unemployment relief. Now we have come to that third part of the program, and again we are told that we must go it blind; that we are not to be given any clear-cut idea as to the policy of the government.

I do not think that is fair to this committee. During the past two or three years I have not been among those who have been overcritical with regard to the blank cheque proposals, as they were called. It seemed to me that the government had to be left with considerable discretionary powers in dealing with an important matter of this kind. However I recall distinctly that many of those who now sit on the government side at that time sat to my right and day after day after day they were insistent that the government of that time should not be given any blanket authority. They said, "We are quite willing to vote particular items for particular matters, but we do not believe in the blank cheque

method." I would simply point out—and perhaps I can do so with better grace than my Conservative friends—that the government is adopting precisely the same policy to-day, because they are refusing to give us even a general idea as to how this money is to be expended. I would not care so much about that, but what I should like to get is some sort of clear-cut statement as to the program of the government with regard to this great unemployment problem which faces us. Personally I get so weary of reiterating—

An hon. MEMBER: So do we.

Mr. WOODSWORTH: Then why don't you do something about it, now that you are in a position to do so? We all have become weary of this. Ever since I came to this house, as far back as 1921, I have had to stand in my place and try to plead for the unemployed.

Mr. McLEAN (Melfort): There were no unemployed then, and there was none half the other times you said there were.

Mr. WOODSWORTH: There were vast numbers of unemployed at that time. I have known unemployment in this country for twenty or thirty years. I do not think anyone in this chamber knows western Canada better than I do; I do not think anyone has been more closely in touch with unemployment in my own city of Winnipeg for the last thirty years, and anyone who says that there were no unemployed in the earlier days simply does not know what he is talking about. What I was about to say is this, that as unemployment has increased during the years some of us have tried to point out that some more fundamental method should be adopted of coping with this great problem. We have been said to be idealists; we have been said to be impractical. Well then, we said: Let the government in power undertake some definite scheme. And I would say that whether the Conservatives or the Liberals have been in power we have supported to the extent of our ability any scheme that seemed to look in the right direction.

Mr. ROGERS: Will my hon. friend permit a question?

Mr. WOODSWORTH: Certainly.

Mr. ROGERS: If my hon. friend were in power, are we to assume that he would follow the policies which were pursued by the Labour party in Great Britain when they were in power some years ago? Is that a reasonable expectation?



Mr. WOODSWORTH: Would the minister tell me precisely what he has in mind with regard to those policies? What policies?

Mr. ROGERS: I think we are justified in assuming that my hon. friend is in sympathy with the program of the Labour party in Great Britain, and he is continually reproaching us for lack of action in relation to this question of unemployment.

Mr. WOODSWORTH: I have not mentioned the Labour party in Great Britain.

An hon. MEMBER: What is your proposal?

Mr. WOODSWORTH: Just a moment, please. If the minister will indicate to me what particular part of the Labour program he has in mind I might give him some idea of the way in which it appeals to me.

Mr. ROGERS: In relation to unemployment.

Mr. WOODSWORTH: I should like to know what part of the policy in regard to unemployment the minister has in mind. Does he mean the unemployment insurance scheme of Great Britain? If he does, then I say distinctly yes.

Mr. ROGERS: That was not what I had in mind.

Mr. WOODSWORTH: That was part of their policy.

Mr. ROGERS: I assume that my hon. friend must be aware of the policy of the Labour party in Great Britain with relation to unemployment.

Mr. WOODSWORTH: That is too general a proposition. I have indicated that one of the most important parts of the policy of the Labour party in Great Britain during the short time they were in office, though not in power, and one of the policies upon which they relied and upon which all governments in England in recent years have relied, was that of unemployment insurance. My friends the Conservatives did attempt to put an unemployment insurance scheme on the statute books. I did not think it was at all adequate. Now it is before the courts and we do not know what will be the outcome.

Mr. ROGERS: Will my hon. friend permit me to interrupt once more? He has said in effect that he would support the policy of the Labour party in Great Britain in relation to unemployment generally.

Mr. WOODSWORTH: Oh, no, pardon me; I did not say that. I say that I want to know precisely what that policy is. I refer for the moment to the general scheme that has been adopted in Great Britain for a number of years, unemployment insurance.

Mr. ROGERS: If I might complete this now, I would point out that when the Labour party came into office in Great Britain in 1929 the percentage of unemployed among insured work people was 9·6.

Mr. HEAPS: What year?

Mr. ROGERS: In June, 1929. When the Labour party left office in August, 1931, the percentage had risen to 22 per cent.

Mr. HEAPS: That is not a fair comparison; the minister knows it.

Mr. ROGERS: No, I do not. I asked for these figures because I wanted to know. My hon. friends are continually reproaching us for lack of action. I would remind them that there is a very material distinction between activity and progress.

Mr. ROWE (Dufferin): You are not showing either.

Mr. WOODSWORTH: I am not quite sure what the minister means by activity and progress. I do not think we have had in this country either activity or progress.

Mr. MacNICOL: We had from 1930 to 1935.

Mr. WOODSWORTH: I do not think we get very far by taking certain limited periods during which an administration has been in power in the old country or in this country and trying to draw conclusions, quite disregarding general economic conditions.

If we speak of general policies in the old country, at all periods there they have had as one part of their way of dealing with this problem a system of unemployment insurance. We have urged such a system for this country. The late government did attempt that; the present government apparently are not attempting anything of the kind. A decent sort of unemployment insurance scheme would be far more satisfactory than the present haphazard dole scheme, for it has been practically a dole for many years, a dole on a totally inadequate scale, which condemns people to live below any standard which we should accept for decent Canadians. There is no doubt about that, and if the scheme of the previous Conservative government with regard to unemployment insurance was not constitutional, there is no real reason why this government should not adopt some scheme that would be constitutional.

There is another scheme that has been adopted to a large extent in Great Britain—since the minister wants to refer to Great Britain—that is the housing scheme. We have had fantastic schemes of public buildings; I hope the present government will not resort to some of the schemes that the late government resorted to. We seem to be incapable of thinking in any other terms than the recognized channels of public expenditure, huge federal buildings, harbours, wharves, highways. From this corner we have urged again and again housing schemes, but not schemes which are dependent upon the loan companies, and which may to a large extent play into the hands of the loan companies. In any case the poor are not aided by such schemes because they cannot possibly obtain the funds to take advantage of them. We have urged a thoroughgoing housing scheme such as they have in Great Britain. Why cannot the government undertake that kind of thing? In nearly all our cities, as committees of this house have definitely reported, there is a great lack of proper housing accommodation, and we have never had a survey of the housing needs in rural districts, where conditions are even worse than they are in the cities. What is the government doing about that? If we adopted some such scheme as that we might get somewhere.

I hope I am mistaken, but I have been waiting here for three months, and as I see the situation to-day, the government are going on the general principle that if they have slightly lower tariffs, in some way or another foreign markets will open up; foreign trade will increase, and that will solve the problem. To go back to Great Britain, we find that a country which for generations had free trade was forced by economic conditions to abandon that policy and adopt another. Is it likely then that a lower tariff policy is going to solve worldwide problems such as that of unemployment? I cannot think so. It may be that the government—I will not say it wants this; I do not for a moment think it does—is banking on some sort of upheaval in Europe, thinking that if we could keep out of the struggle it might possibly benefit us economically. That might be a way out for Canada for the moment, though of course it would be temporary in character.

But failing some such catastrophe, how can we hope that this vast number of almost one

and a third million people now on relief are going to be provided for in the near future? And not only these people, but as anyone who moves about this country must know, there are tens of thousands of people who to-day are living in the homes of their fathers and mothers or being carried along by their relatives. Everywhere you go across the country you hear stories of that kind; every social worker will tell you the same thing. What is going to be done about this host of people who so far have not come on relief but who one of these days will inevitably be forced to do so? What are we going to do about the young people who are being turned out of our schools and universities? I do not for a moment suggest that the government are not interested in these matters. I hope the minister does not think I am accusing him of lack of interest, but I do accuse the government of not bringing forward a well defined plan that gives any indication whatever of being adequate to meet this situation which has so long faced us in this dominion and which is becoming more and more acute.

I say that it is becoming more and more acute, because while it may be all very well to talk of grants to the provinces and for the minister to base his estimates upon what has been given to the provinces in the past, we all know that the provinces are not in as good a position as they were a few years ago. We have the case of Alberta; we know the situation more or less in British Columbia, Saskatchewan, and even Manitoba, where many necessary services are being starved in order that their government may by almost desperate means come somewhere near to balancing their budgets. And not only that, but in the past the provinces have been able to devolve a great deal of this relief burden on the municipalities, and we know that the municipalities cannot much longer carry the load. It may be that car loadings show a little increase; it may be that a few more automobiles are being sold this year than other years; it may be that some companies are beginning to pay a little higher dividend; it may be that there is a little upward swing. But I submit that neither in the United States where we see to some extent similar conditions to what we have in Canada, nor in Canada itself is there any indication that within the next few years this upward swing is going to be big enough to lessen in any material degree this problem of unemployment.

For this reason I say that it is the responsibility of any government which is in power to bring some definite scheme before parliament. This should be not a mere scheme of doles such as we have had, not merely a scheme of public works such as we have had, but some much more comprehensive plan. Some of us have suggested the kind of work that has been undertaken in other countries; a number of speakers referred to measures undertaken in New Zealand, Australia, Sweden and elsewhere, that have shown at least a certain degree of success. Apparently the government has not considered any of these, but has simply fallen back on the old time emergency methods which we have had for a number of years past. When we finally come to this last part of the government's plan we find the whole thing is still hazy and indefinite. I do not know what more we can say. I should hope that my remarks might possibly lead the minister to divulge to this committee to a greater extent than he has done his own ideas as to what can be done in the next six months. I would urge that he give us some indication of what is to be done in October or November when the men come in from maintenance of way work, and when they are dismissed from the farms. I asked him a few days ago and I again ask him to-night what is to be done with those 5,000 single unemployed men in my own city who are not in camps but who are being fed daily out of the public purse. What is to be done with them? The minister has not indicated in the slightest that he has any plan for dealing with them.

What is to be done with the two or three thousand young people who are unemployed but who for the last few months have received special training in the technical schools of my own city? When the schools are closed these young people will be out on the streets. What is to be done with them? What is true of Winnipeg is true of Vancouver, Montreal, Toronto, and in fact any of our larger cities. What are we to do about this? I do not wish to delay the passing of the estimates; I do not wish to talk simply to be heard or for the sake of talking, not in the slightest. But I would say that the government, having assumed office, must accept responsibility for doing very much more than is indicated in any of the three measures under which they have given to the country their unemployment relief policy.

Mr. HAMILTON: A few remarks of the hon. member for South Renfrew (Mr. McCann) with regard to the trans-Canada highway leads me to think that I should make some observations. His point was that he felt expenditures of large sums of money on the trans-Canada highway were probably in-

advisable at this time, and that it would be better to deal with the feeders and sideroads running into that highway.

Coming from Sault Ste. Marie I am very much interested in the trans-Canada highway, and so that the minister and the government may have no misunderstanding I rise at this time to speak. The highway westerly from North Bay to the north shore of lake Superior until recently had not been finally designated as the trans-Canada highway. As a result of that situation, during the past several years when fairly large sums of money have been expended on construction of the trans-Canada highway no trans-Canada highway money, with the possible exception of a few dollars spent last winter, was spent on that portion of the road west of North Bay up to the White river terminus coming east from Port Arthur. May I point out that that portion of the road now known as the trans-Canada highway running from North Bay to Sault Ste. Marie, a distance of three hundred miles, runs through a fairly well settled territory and through the three cities of North Bay, Sudbury and Sault Ste. Marie.

The CHAIRMAN: I must draw the hon. member's attention to the fact that item 330 was carried this afternoon. Of course I am in the hands of the committee. The vote of $3,527,125 for the trans-Canada highway was passed, and in my opinion the remarks of the hon. member are out of order.

Mr. HAMILTON: May I point out that at that time the hon. member for South Renfrew was dealing with money already allocated and under agreement. I believe the minister suggested that with reference to new expenditures, with which I am now dealing, discussion might more properly be had on a vote having to do with other projects such as we are now discussing.

Mr. ROGERS: That is right.

Mr. HAMILTON: I shall be brief. I wish only to point out some facts so that the minister and government may not be under a misapprehension. In substance I agree with what the hon. member for South Renfrew said as to the inadvisability of spending large sums of money along the north shore of lake Superior at the present time. May I point out, however, that there are older portions of the highway on which that money could be expended, portions which pass through several constituencies where relief work is needed as urgently as in other sections of the dominion. I hope the government will not be steered off its course by the use of the term "trans-Canada highway." May I in passing observe that that section of the road from North Bay to Sault Ste. Marie will be a wonderful asset to the older part of not only Ontario but Quebec. Three first-class highways of the United States come to Sault Ste. Marie, tapping a large population to the south, and act as feeders for an extensive tourist traffic into Ontario and easterly into Quebec.

We know that to-day thousands of people will not enter Ontario and travel east into that province and also into Quebec because of the condition of the trunk road between North Bay and Sault Ste. Marie, a road which to-day is part of the trans-Canada highway. There are people in that section who need work as badly as any other people, and I merely urge the government not to be scared away simply because the road is named the trans-Canada highway. It also runs north of Sault Ste. Marie some sixty or seventy miles to an important mining area.

Mr. STIRLING: If I understand the minister correctly, this sum of nearly $10,000,000 is more or less an estimate, and is apparently—

Mr. ROGERS: We are restricted definitely to it.

Mr. STIRLING: —but an estimate with regard to the method in which it will be expended. It will have to be divided up under arrangements yet to be arrived at with the provinces, and expenditures will be so governed. I do not consider that explanation is satisfactory, in view of the fact that for nearly four weeks we have been waiting for these supplementary estimates. Speaking at the time the employment commission bill was under consideration, the Prime Minister said that a special bill which would give itemized explanations of expenditures to be made would be brought down. It seems to me that the estimate upon which the minister is basing his views is an expenditure which has been made by the late administration under a policy which was strongly condemned, namely that of the blank cheque. Because of expenditures made by the previous government in the last four or five years the minister is now of opinion that under the arrangement which will be arrived at with the provinces probably about $10,000,000 will be required to carry out undertakings with them. It seems to me reasonable to ask the minister to explain in what way the money will be expended and in what way he anticipates meeting the provincial governments for the purpose of discussing expenditures under this vote.

Mr. ROGERS: That is a reasonable request, and when it was put to me before I recognized it as reasonable. I sought to give

an answer which would satisfy hon. members. It will be noticed that this amount of money is to be expended in conjunction with another spending authority. In other words, it is impossible for us precisely to indicate the projects upon which it will be spent in any province, until we have reached an agreement with that province respecting joint relief expenditures, to which there would be attached a schedule of works to be constructed. Obviously until this estimate has been passed by the committee we cannot enter into agreements with the provinces. We do not know what amount of money will be available for the purpose.

I might point out, further, that during the past few weeks most of the provincial legislatures have been in session and it would have been difficult, if not impossible, for all the provincial governments to send their ministers of highways or public works to Ottawa in order to arrange such a schedule of works as is contemplated under this item.

Where the expenditures are to be made by the dominion government there is, I think, a careful and scrupulous regard for the established practice with respect to appropriations, but I think it is only fair to point out to the committee that under this vote we are dealing with joint expenditures, and it is impossible to give the details until we have arranged the agreements with the provinces. As a matter of fact, it will be within the memory of the committee that when the relief bill was introduced it contained a clause under which the government proposed to bring these agreements before the house, and we suggested that they should not become binding upon the dominion until they were approved by the house. In other words, we sought so far as it was within our power to bring the entire transaction into the full light of day, which, I think, is a desirable principle of public policy, but it was the view of hon. members not only on the opposite side but in all parts of the house that such a course would impose a grave handicap upon the government in dealing with this situation, and at the instance of members from various quarters of the house that particular clause was deleted.

My hon. friend has also asked as to the method of allocation among the various provinces. That question was put to me before and I sought to answer it as best I could. Looking back over the expenditures of the past five years I do not find any unvarying principle of distribution of the amount available for unemployment purposes. It is a matter of extreme difficulty to make any distribution upon the basis of need. One might say, for example, that fiscal need brings into your problem the necessity of examining the income of particular provinces and their taxable capacity, which in itself is a most complicated factor to determine. I know that from my own experience in trying to find some sort of composite index which would measure fiscal need in the various provinces. Therefore we are faced with the necessity of trying to bring about as fair and equitable a distribution of this amount as possible, being responsible at all times for any mistakes we may make in such a distribution.

May I direct attention to this further consideration? There are here, for example, items for agricultural settlement and resettlement. If one province, for instance, whose need with respect to relief is similar to that of another province, wished to adopt some method of land settlement as one way of meeting the situation, obviously that would have to be taken into account when we were apportioning some of this expenditure for works among the provinces, and yet in advance of our meeting with the provinces we are not in a position to know how far they will wish to deal with the situation upon a basis of land settlement, and how far they will wish to deal with it upon a basis of relief works so far as that might be facilitated by dominion contributions.

I hope I have made clear to hon. members that we have not put the item under this heading with any intention of concealing details from the committee. On the contrary we originally contemplated that the agreements with schedules attached would be submitted to the house. We are dealing here with a situation, let me remind the committee, which to my knowledge has not occurred before outside of special legislation, in constructing public works in conjunction with the province. It has been a simple matter to do this during the last few years under blank cheque legislation because you were concerned only with agreements and you were not obliged to make any estimate to the house of the amount to be expended. To the best of my knowledge this is the first case in which the dominion government proposes to enter into agreements of this kind with provinces for public works, outside the special legislation of 1919 by which the dominion contributed for highways and so forth.

Mr. BENNETT: I think the hon. gentleman is in error as to that. Under the provisions of the various relief acts that have been passed by this parliament, if he will be good enough to look at the reports of the commissioner of unemployment relief, he will find set out in detail the number of the agree-

ments, the sums paid by the provinces, by the municipalities, and by the dominion, and the sum total paid.

Mr. ROGERS: After the expenditure was made.

Mr. BENNETT: Yes.

Mr. ROGERS: But this is different.

Mr. BENNETT: I will come to the difference in a minute. In the act of 1930 the limit of expenditure was $20,000,000. The sum now before this committee in the last three items is substantially $20,000,000. The uses to which the money is to be put are exactly what they were in 1930. In 1931 no sum was stated. But now we have an item which approximates $10,000,000 and, as has been pointed out, we do not know to what purpose it is to be put. It is a $10,000,000 blank cheque so far as the payee is concerned as completely a blank cheque as were the appropriations made in times past, for the minister has stated that this represents the average sum expended, or thereabouts, during the last five years. Therefore without any appreciation of what the public interest demands, he has inserted in this item the average expended during the last five years, namely, substantially $10,000,000, and when he is asked how that sum is made up he is as unable to indicate how it is made up as was a former government that was charged with dealing with blank cheques to the detriment of the public treasury and the injury of the body politic. There is not the slightest difference in the world, and if there ever was a vindication by a succeeding government of the attitude taken by a former administration it is found in these estimates, whether it be for farm placement assistance or whether it be, as in this case, the sum of nearly $10,000,000 for public works. The minister has been unable to indicate to the committee how it is to be expended, on what particular projects, how much in any particular province, or whether it is to be for any particular purpose whatsoever. That is the situation. What is the difference between the statement of policy contained in an appropriation that the government may spend such sums as the governor in council may appropriate for entering into arrangements with provinces or otherwise, and the statement that we are going to spend $10,000,000, that being the average that was spent by the governor in council under what was called the blank cheque legislation. So whatever there may have been lacking of vindication in the past, the policy of the former government is clearly vindicated now when an expenditure that averaged $10,000,000 in the past is made the basis for appropriating nearly that sum for the current year. In other words, the minister has assumed that the discretion by the governor in council was so properly exercised during the long period of five years that he now adopts it as the standard for expenditure during the present year. That is the situation, and we might as well face it frankly. There is no getting away from it. There it is, and I am delighted that the minister has paid that tribute to the skill, the industry and the soundness of discretion exercised by his predecessor in making recommendations to council with respect to the expenditures in question. Nothing could more clearly indicate the soundness of the views then taken than that the expenditures made in the past should become the basis for the expenditures to be made during the present year.

I do not wholly agree with what the hon. gentleman has said as to the impossibility of being able to give some information, because a large number of projects, to use the word in the broad sense, are known to the department for months in advance. It is now nearly the month of May and obviously the government should be in a position to indicate what useful undertakings must be proceeded with during the next few months. Unless the provinces have changed—and it is possible they have; I recall having heard that with Liberal administrations in power in the provinces there is an entirely different attitude towards the federal administration from that which had previously prevailed, and, e converso, the attitude of the federal administration towards the provinces is entirely different; the provinces are presenting almost every week matters in respect of which they seek the assistance of the federal government. Unless the Ethiopian has changed his colour due to recent events in Abyssinia, or the leopard his spots, it would seem to me to be reasonably clear that the department must have on record large numbers of applications for assistance to the provinces in completing undertakings named and indicated.

It is true that the agreements have not been completed and, until they are, the minister is quite sound in saying that he cannot speak with authority; there is a possibility that there may never be an agreement. I agree to this at once, but I think some indication should be possible of the general intentions of the government with respect to the projects. There should be available some information in the general

terms that were afforded in days gone by, such as was indicated in the reports of the commissioner of unemployment relief during the last five years.

Mr. ROGERS: Applying always to the preceding year?

Mr. BENNETT: The hon. gentleman is entirely right; the report is a report of actual achievements and accomplishments, not a prospectus indicating what might be done. To use the language of a well known mercantile agency, it is a record and not a prospectus. That is quite true and I agree with the minister. What I am indicating is that in former years the minister was able to outline the general undertakings to which it was felt that the federal government might usefully give its assistance. For instance, the hon. member for Algoma West (Mr. Hamilton) raised the question to-night of the trans-Canada highway. As the chairman has said, this item has been passed, but still it arises incidentally and inferentially through the payment in aid given by the federal power to the provinces. This item was discussed in detail this afternoon and I shall not waste the time of the committee in discussing it further It will be recalled that we assisted in the construction of bridges, in the construction of main highways that were part of the trans-Canada and also in the construction of highways across the provinces, but I shall not weary the committee by referring to these in detail.

As the matter stands now, the minister has submitted to the committee an item amounting to nearly $10,000,000 and he has asked us to give him authority to fill in the names of the payees without indicating to parliament who the beneficiaries are to be and how the money is to be spent, except that it is to be spent in aid of undertakings agreed upon by arrangement between the provinces and the dominion. That opens dangerous avenues of escape and approach. The government may say: This is what the provinces want and we have agreed to give them some money. We meet with two difficulties. One arises out of the fact that the matter becomes political. Men in one province who are of one political faith have been denied the right to go to work. Furthermore, they have been told that the work would be apportioned in the ratio of the known voting proclivities of the men in the community. That is a matter of written record.

There is a second difficulty, one of which the minister is so fully aware that I shall not do more than merely mention it—the matter of accounting. It will be recalled that the government of the day being seized of the seriousness of the situation through representations made by interested parties, passed an order in council directing the auditor general to take complete control of the whole question. I have pointed out in this house time after time—and I do it again to-night—that when the matter was dealt with by the government in 1934, in consequence of what we had learned in 1933, we insisted that before a single dollar of federal money would be paid there should be a certificate by the municipality or the otherwise organized authority that the expenditure was correct; second, that the province should place its certificate upon the expenditure indicating its correctness, and, third, that a pre-audit certificate of at least one, and in some instances two of the officials in the auditor general's department should be upon the document before it went to the comptroller of the treasury. When the comptroller of the treasury issued his cheque he had behind him the certificates of, first, the auditor general's department; second, the province, and, third, the municipality or other organization responsible for the detailed expenditures.

I notice in the report made by the commissioner that we now have succeeded in making certain adjustments. Arrangements have been made to get back substantial sums of money; there is one case, amounting to some $700,000, which has not been disposed of. In connection with some expenditures the dominion has declined absolutely to pay them because the certificates were not forthcoming. We have deducted from one grant overpayments made in another so that the matter could be adjusted. The hon. gentleman will remember that in the report he tabled the other day there appears a reference to what is being done to adjust this difficulty. I do not point out these difficulties in any captious sense of criticism as the minister has adopted in connection with the provinces the course that we adopted, but he has not surrounded it as yet with the safeguards which, in my judgment in the light of our experience, are essential to prevent a recurrence of the conditions to which I have directed attention. The minister may very properly contend that this could not appear in the estimates; he may say that it is proposed to safeguard the position of the government in the agreements to be made, but a substantial sum of money is still claimed by those who are entitled to grants in aid. As the minister knows, we dealt only

with the provinces, but there are provincially created municipalities and organized entities by which the general investigation has shown that repayments should be made. In this regard I think the minister should explain to us just what has been done and is being done to overcome the difficulties to which I refer.

Mr. ROGERS: Perhaps at the outset I ought to refer to the charge which has been repeated several times this evening that we are having to resort to blank cheque legislation. I suppose one is justified in using that phrase "blank cheque legislation" in a qualified sense. I think, however, that my memory of the Hansard debates of other sessions is correct, and that on several occasions, when relief bills were before the house, speakers then on the opposition side asked the government to insert a sum, any sum, but a definite sum in order to avoid the blank cheque.

Mr. BENNETT: Yes, but that was the bill generally, the aggregate.

Mr. ROGERS: Quite so, and I am sure my right hon. friend will recall the statement of de Tocqueville that unlimited power is a bad and dangerous thing, and from the standpoint of the then opposition it was that lack of any limit whatever upon the spending power of the government which was the chief ground for criticism of the blank cheque legislation. Obviously it is at least doing violence to precision of language to suggest that these are blank cheques. They are definite appropriations for specified objects. My right hon. friend is entitled to complain that the object is not sufficiently specified, but he is not entitled to say that it is a blank cheque.

Mr. BENNETT: I say that it is blank as far as the payees are concerned.

Mr. ROGERS: So far as the payees are concerned? Well, certainly in some of these items it is quite beyond our power to indicate who the payees shall be.

Mr. BENNETT: So it was with us.

Mr. ROGERS: For instance, under relief settlement, or under any farm placement plan. My right hon. friend also referred to the fact that under the preceding legislation, in the report of the commissioner of unemployment relief there were set out the objects for which money had been expended. He was fair enough to recognize that this procedure was to some extent different from the course he is suggesting we should follow today. I well recall the debate upon the relief bill. It will be remembered that we had inserted in that bill a clause which provided that we should bring before the house for its approval the agreements with the provinces touching these very expenditures, with a schedule of works attached, and it was my right hon. friend and other hon. members who pointed out the extreme difficulty of that procedure and asked us to delete that clause. I remember that my right hon. friend in times past has quoted a principle of equity that one cannot approbate and reprobate at the same time, and it does seem that if, in the debate on the relief bill, he said it would be better from the standpoint of administration for us to drop this clause, he ought not to raise it to-night as an objection to this particular item. I think he will acknowledge the reasonableness of this contention, that never before has there been a situation in which we have been obliged to set out estimates providing for joint expenditures with the provinces. This is, I think I might acknowledge very frankly, one of the difficulties attached to a transition from blank cheque legislation to parliamentary control of expenditure.



Some hon. MEMBERS: Hear, hear.

Mr. BENNETT: I am pleased to hear the applause with which hon. gentlemen greet my rising, because it seems to me—

Mr. ELLIOTT (Middlesex): A coincidence.

Mr. BENNETT: —reasonably apparent that the minister has forgotten that the plea for the deletion of the provision in the statute came from his own side. He seems to forget that the hon. member for Vancouver-Burrard (Mr. McGeer) presented so strong a case that there was no answer, and the Prime Minister said, turning to his, shall I say, discontented supporters at the moment, that the provision should be dropped. I pointed out on the second reading of the bill how impossible it would be in practice to give effect to such a provision. I did so at some length, and I also referred to the matter later, but the speeches made by an opposition no more numerous than this have never been taken as having any effect upon a government that is so contemptuous of such an opposition.

Mr. ROGERS: They are very helpful sometimes.

Mr. BENNETT: But it must be that when those within their own ranks cry aloud, the government must give some little attention to their contentions.

Mr. MACKENZIE (Vancouver): That is the difference between us.

Mr. BENNETT: My hon. friend the Minister of National Defence and member for Vancouver Centre (Mr. Mackenzie) is a living example of the difference between being in office and being out of office. I am glad that he so willingly admits it, because, with a sense of humour that will not be denied, when he hears the hon. member for Rosthern (Mr. Tucker) and the hon. member for Vancouver-Burrard (Mr. McGeer) indicating to the house how easily money can be provided, it reminds him of the echo of an ancient past, the days when the Macmillan report was first published, and the creation of money but an incident of a well-spent day in the House of Commons. But at the moment I will only deny the soft impeachment that it was because of our representations that the Prime Minister moved that the section be dropped. Now that we have it on the word of the minister that it was, we may congratulate ourselves that we have been able to exercise that moral suasion upon the mind of the government which has not hitherto been apparent. May I however point out to the minister that I do not at all disagree with the observations he has made as to the desirability of the removal of that clause. I think it was apparent from the start that it could not have been made effective in a practical sense. But I think he has not followed me with quite his usual astuteness, for what I suggested was that this blank cheque which was complained of so bitterly resulted in an average expenditure of something like $10,000,000 per annum, and, according to the language used by the hon. gentleman, that is the basis of the $10,000,000 item in the appropriation bill. Therefore we have a complete vindication of the soundness of the discretion exercised, that it was not abused, but rather that it was exercised in such a way as to constitute so splendid an example that it is followed by the minister himself. I am glad to see that the humour of the situation has appealed even to his colleagues. I expected it would, because it is a humorous situation and one which, I think, the minister will be the first to realize.

Mr. HANSON: The blank cheque would not be of use this time, either.

Mr. BENNETT: The hon. member for Skeena (Mr. Hanson) suggests that a blank cheque would not be useful at this time. There are at least a hundred members I could name, on the other side, who would find it exceedingly useful at this time in their own constituencies and who would not be unwilling that it be used in those same constituencies. Those who are behind me do not desire that the blank cheque should be used in their constituencies at all; they have ample appropriations without it.

Mr. HANSON: That never was used in my constituency in the last five years.

Mr. BENNETT: So high was the regard of the late government for the exalted moral principles of the hon. gentleman against the use of a blank cheque that they would not think of its being so utilized. It would be such an offence to his sense of decency and morality in public life that no one would think of issuing a blank cheque for any expenditures in that particular section of the country. I am sure he thanks the late government for having thus respected his strong views on the matter. I am glad he realizes the humour of the situation. I am only pointing out that I agree that the minister could not, any more than we could, set out details of contemplated expenditures. But he could, as we did through the minister in the house, as the records will show, indicate in a general way what was intended. For instance, it has been asked whether it is proposed to utilize these moneys for what are called secondary roads or feeders. That question came up and was discussed in the house, and certain answers were given. I do not know whether it is the intention of the government to use any part of the money for the purpose of surfacing the roads with asphalt or concrete, but at any rate those questions were asked. I do not say that at that time the minister was able to do more than answer yes or no, but he did indicate that that would be so. When questions are asked, as they have been here, as to what might be done, possibly the minister might give a little further information as to what he contemplates, because he cannot be without some knowledge of what the provinces are endeavouring to secure from him. I can assure him that the demands will increase with the length of time which elapses before the agreements are made, and the sooner that $9,200,000 is exhausted in agreements the happier will be the face of the minister, because as long as there is a single dollar unappropriated by agreement, so long will there be an effort made to secure it. It may well be that by a limitation being thus placed upon the amount available it will be made easier for those charged with the responsibility for administration, but the sooner the names of the payees are filled in, with the limitation that the minister has suggested as to the amount that may be available, the sooner his troubles in that regard will cease and the happier will be his administration. I am only pointing out—and I return to it—that the minister admits that

his estimate of what he will require is based upon the average expenditure which has been made without limitation, thereby vindicating the soundness of the discretion exercised by his predecessor and the government of that day. The excellence of that discretion is indicated by the willingness of the minister to take it as the standard of his own expenditure.

Mr. TAYLOR (Nanaimo): At the outset I wish to express disappointment that the minister should have brought forward those labour figures for Great Britain. It was a specious argument, and if the minister recalls his economic history he will realize that the labour figures had nothing whatever to do with the Labour government but that they reflected the deflationary conditions accepted by Great Britain as a result of the recommendations of the federal reserve bank of the United States.

In the constituency of Nanaimo there are at least two major problems, and I propose to refer to both of them. We have several ghost towns in that constituency, small places that grew up around operating coal mines. Not forty miles away, in Vancouver, we have an infinite number of relief recipients. Would it not be possible for this government to make arrangements with the provincial government to reopen some of those mines, give employment to the one hundred per cent relief recipients in the ghost towns, and turn over the coal to relief recipients in Vancouver? If that is done, and done without encouraging profits to those who insert themselves into all the business of the government, it may be possible to establish the fact that relief recipients can be assisted to help themselves in some sort of cooperative fashion. The coal miners will dig the coal and the householders in another part of the country will receive that coal at the lowest possible figure for which it can be produced.

The other problem is the condition of the water supply of the city of Nanaimo. I want to direct attention to that, because Nanaimo is in a precarious situation at the present time. The water supply is brought to the city through wooden pipes, and that system is now out of date. The pipes have outlived their usefulness and may burst at any time. If they do burst a major catastrophe will strike the whole of Nanaimo. That city is asking for dominion and provincial assistance in rebuilding that water system, and the sum of $200,000, if set aside for the purpose, would provide work for a large number of relief recipients. I respectfully draw this suggestion to the attention of the minister.

Some hon. MEMBERS: Carried.

[Mr. Bennett.]

Mr. HEAPS: I do not see why there should be all this anxiety on the part of my Liberal friends to shout "carried" in connection with this item. Are they afraid to have the question of unemployment discussed on the floor of the house? I remember a time not so many years ago when they discussed unemployment for days and days. Then they never tired of discussing it, but all of a sudden there is this great anxiety to hush up discussion under this item and not to allow hon. members to say a word about the question of unemployment. After all, we must bear in mind that the present government have been in complete control now for a period of six months. They have had complete charge of the destinies of this nation; they have had an overwhelming majority in this house, amounting to almost three-quarters of the entire representation. The government can do almost as they wish, so it is up to them to devise ways and means of doing something about this perplexing problem of unemployment. For my Liberal friends to shout "carried" does nothing to help solve this problem. I do not think there is a Liberal member who did not discuss unemployment and the economic situation during the election campaign; I do not think there is a Liberal member who did not say that if his party came into office they would do something to deal with the crisis facing the country, but that is all changed now.

The minister was good enough to remind my colleague from Winnipeg North Centre about the situation in Great Britain between 1929 and 1931, pointing out that in 1929 unemployment amounted to approximately nine per cent, and that by 1931, when the Labour party went out of office, the situation had been aggravated to the extent that unemployment amounted to twenty-two per cent. Do I take that from the minister as an indication of his condemnation of the Labour party in Great Britain during those years?

Mr. ROGERS: My hon. friend has asked me a question. First of all, may I say that the figures I gave were percentages of unemployment among the insured work people in Great Britain by months from January 1929, to January, 1936.

Mr. HEAPS: January, 1931.

Mr. ROGERS: Those were the specific figures I gave, but my statement covered the whole period. Now, as to the question asked by my hon. friend. I gave those figures simply because I wished to bring home to hon. members sitting behind my hon. friend from Winnipeg North Centre the fact that

this problem of unemployment, in the experience of countries with Labour governments, has not been susceptible of immediate and successful solution. In the very nature of things it defies that type of solution; yet my hon. friends are continually asking us for action, never telling us what they mean by action apart from the spending of public money. If I may continue—

Miss MACPHAIL: Why not? the slogan was, "Vote King and get action."

Mr. ROGERS: We will take action, but it will be ordered action. I have no objection whatever to marching forward but I want to know where I am going. I want to know whether my next step is to be on firm ground or in quicksand, and I am not so sure that some hon. members are so anxious as to the direction in which they are going. I think there are two things of vital importance—

Miss MACPHAIL: Would the minister care to name the members to whom he refers, who are not anxious?

Mr. ROGERS: I said that they apparently are not anxious to find the direction before they move. We all know there are people who are willing to move swiftly without having a clear idea of their objective.

Mr. BENNETT: The United States trade agreement is an instance.

Mr. ROGERS: It seems to me that there are cases in which in the very nature of things we must see our way carefully before we proceed. In respect to this whole unemployment question may I remind hon. members opposite that we came into office during a fiscal year for which provision had already been made to March 31 as far as public works were concerned. The preceding administration made arrangements with respect to works designed to cover the entire period to March 31. Not only that, but some agreements were made with the provinces in July and September of last summer supplementary to the agreements originally made, and the arrangements with respect to direct relief were designed to continue during the entire year. We held a dominion-provincial conference and as a result we increased the direct grants in aid to the provinces by seventy-five per cent during the winter months. We went into the entire situation as carefully as we could with the provinces, and from that time to this I can assure hon. members that the whole problem has received our anxious consideration, as it would receive the anxious consideration of members in any part of the house were they in our place to-day.

Mr. TAYLOR (Nanaimo): Exactly.

Mr. ROGERS: And I do not feel that my hon. friends should suggest that because we have not done something spectacular we are not making progress. For my part I have much more faith in orderly progress than in swift and spasmodic action, particularly in regard to a matter fraught with serious danger in terms of human values, and I use that term in the same sense in which my hon. friends use it.

Some hon. MEMBERS: Hear, hear.

Mr. HEAPS: It is quite evident that what the Minister of Labour has just said meets with the approbation of his supporters, that is, that he stands for progress, orderly progress, moving in a certain direction. I am reminded of a little story of a wag who once went through a graveyard and saw on a tombstone, "Here lies Matilda—Follow me." And the wag wrote underneath:

To follow you I'm quite content,
But damned if I know which way you went.

That idea of following the minister may be all right, but some of us would like to know in what direction the government are going.

Mr. ROGERS: Going forward.

Mr. HEAPS: The minister says, "Going forward." The minister brought into the discussion the Labour party in Great Britain, and perhaps I might for a moment deal with what he said in that connection. The figures certainly did show an increase, from nine to twenty-two per cent I think he said, in about two years. But suppose I took the Liberal party in Canada between 1926 and 1930 as a criterion; the percentage of unemployed in 1926 and in 1930 would show a much greater increase.

Some hon. MEMBERS: No, no.

Mr. HEAPS: I wish some of the Liberal members would be patient. It is true that in 1930 the Liberal party could not see any unemployment in this country. Nevertheless it was there. By 1930 he had a serious unemployment situation, and it was on account of that serious situation that we had a change of government.

Mr. McLEAN (Melfort): How much was there?

Mr. HEAPS: Sufficient to cause a change of government.

Mr. McLEAN (Melfort): No.

Mr. HEAPS: Again in 1935 we still had sufficient unemployment in this country to cause another change of government.

Mr. MacNICOL: And there will be another change next election.

Mr. HEAPS: As the minister talks in terms of politics, perhaps I might remind him and other members of the Liberal party of what we saw throughout this country during the last election: "Vote for King and action."

Mr. MACKENZIE (Vancouver): And they got action.

Mr. HEAPS: And "King or chaos." Such were the slogans. I have before me a little card, of which hundreds of thousands were distributed, which says, "Vote Liberal for work with wages, security and progress."

Some hon. MEMBERS: Hear, hear.

Mr. HEAPS: If that is the amount of enthusiasm which the Liberal party can engender when $9,200,000 is provided to take care of about half a million unemployed in this country—

Mr. ROGERS: Oh, no; let me correct my hon. friend. He must be aware that this statement is not correct. There is in these supplementary estimates, roughly $80,000,000 —I think I am understating it—wholly for construction works or for relief purposes. That is not $9,200,000.

Mr. HEAPS: No, that is one item in the total amount. But this is for relief work, and parts of these appropriations are unspent parts of last year's estimates.

Mr. ROGERS: Not of this.

Mr. HEAPS: Is this all new?

Mr. ROGERS: Yes, $9,200,000.

Mr. HEAPS: But I mean all the $80,000,000. Part of that was voted by parliament last year, I think?

Mr. ROGERS: Some small part of it, yes.

Mr. BENNETT: A large portion.

Mr. HEAPS: I think it is recognized by the government and even by the Minister of Labour that no amount of public works which the government may undertake is in itself a solution of the problem of unemployment. But he accuses some of us of wanting to go along too rapidly and not seeing where we are going.

[Mr. M. McLean.]

Mr. ROGERS: No, wanting us to go too rapidly.

Mr. HEAPS: They could not do such a thing. I would like them to go a little more rapidly than they are going. We have had this vote of $9,000,000 before the committee for about one hour, and some Liberal members think there has been too much talk on the item. I think my hon. friends of the Liberal party might show a little more patience, for those of the group to which I belong do not indulge in these interruptions very often. But, after all, if we differ from the Minister of Labour in our attitude towards this problem it is because we have a different understanding of the situation. I do not for a moment claim that the minister and other members of the Liberal party are individually not sympathetic towards the unemployed, as I am. It is not a question of sympathy; we are sent here because we have these different viewpoints, and this evening I am expressing the viewpoint of those who sent me here. Those whom I represent think the government are not moving quickly enough in dealing with this problem. During the past six months there has been no diminution worth talking about in the number of unemployed in this country, and I venture to assert that when the House of Commons meets again a year hence we shall still be faced with just as great an unemployment problem as exists at the present time, for the simple reason that no amount of money spent in temporary public works is anything more than a mere palliative. We are asking the government to give something more than a palliative for unemployment.

Mr. VIEN: What, in particular?

Mr. HEAPS: We have made all kinds of suggestions, and they have fallen on barren ground. I moved a motion to pension people who had reached sixty years of age, and to take them out of industry. The Liberal party was told by its Minister of Finance to vote the motion down. Of course he said, "Where is the money to come from?" I am asking the same question: Where will this $80,000,000 come from?

Mr. McLEAN (Melfort): That is less than $500,000,000.

Mr. HEAPS: My hon. friend knows better than that. He knows he is misleading the committee and misleading his own constituents, as I happen to know.

Mr. McLEAN (Melfort): Order. I would ask that the hon. member be asked to take

that back. He knows he is not within the rules of the house when he states that I know I am misleading the committee.

Mr. BENNETT: He did not say you knew.

Mr. HEAPS: I do not wish to say anything that might hurt the feelings of the hon. member.

Mr. McLEAN (Melfort): It is not a question of feelings, at all.

Mr. HEAPS: I wonder that some of these hon. members so unruly to-night would not be patient.

Mr. McLEAN (Melfort): Order.

Mr. HEAPS: I am just—

Mr. McLEAN (Melfort): Order.

The CHAIRMAN: I think the hon. member for Winnipeg North had better withdraw his remarks. I know he wishes to conduct this debate on a high plane, and I think he will do so.

Mr. HEAPS: Of course I do not wish to do anything that transgresses the rules of the house.

Mr. McLEAN (Melfort): Withdraw.

An hon. MEMBER: Withdraw.

Mr. HEAPS: Oh, can you be quiet a minute! If I have said anything that transgresses the rules of the house, I certainly withdraw it. At the same time if the hon. member does not know better, he ought to know better than to make the statement he did.

Mr. McLEAN (Melfort): I do not think that is a proper withdrawal, under the rules of the house.

Mr. BENNETT: Of course it is.

Mr. McLEAN (Melfort): The withdrawal should be made unreservedly by the hon. member, who knows better than to say the things he has just said.

Mr. BENNETT: On the point of order may I say that the hon. member for Melfort has just charged the hon. member for Winnipeg North with knowing better.

Mr. McLEAN (Melfort): Knowing what the leader of the opposition has neglected to point out, namely that I am charging the hon. member with not being within the rules of the house, and with knowing that he is not within the rules of the house when he does not withdraw the charge unreservedly.

Mr. HEAPS: I would not like to hurt the feelings of the hon. member for Melfort.

Mr. McLEAN (Melfort): It is not a case of feelings.

Mr. HEAPS: I withdraw the remark unreservedly and unqualifiedly. As regards the $500,000,000 which the hon. member mentioned. may I say that the figure is entirely erroneous, and if at some time the hon. member for Melfort will take a moment's time to go over the figure he will find how absolutely wrong he really is.

Mr. McLEAN (Melfort): $522,000,000 is the correct figure.

Mr. HEAPS: I will not argue the matter. The hon. member is beyond me.

I wish to point out the viewpoints held by some hon. members, which differ from those held by hon. members in this corner of the house. May I point out also that when asked for concrete proposals some of us have suggested the pensioning of people at sixty years of age, and a much shorter working day. I know that to some hon. members the proposal for a six hour work day may seem peculiar, and I can see some who hold up their hands in holy horror when they think of people working for only six hours each day. I observe, however, that in the United States people as respectable as the president are advocating a six hour day for men engaged in industry, so that in some way the country would be in a position to absorb the unemployed into useful occupations. Whether or not this government likes it, or whether or not future governments like it, the shorter work day, increased purchasing power and pensioning at sixty years of age will come about, in spite of governments. There is in the ranks of the Liberal party and in the ranks of other parties in this chamber a growing conviction that the pensionable age of seventy will have to be reduced before long. More than one Liberal member has come to me and told me that he would like to support a proposal of that kind. A shorter work day is something which will have to be made effective before very long.

It is true that the government attempted to put on the statute books legislation dealing with the eight hour day, believing that that shorter day would absorb a great many people into industry. Even the eight hour day is obsolete, although many people engaged in certain occupations are compelled to work much longer hours. When hon. members point their fingers at our group and ask us what we are going to do under the circumstances, I say to them that I have enumerated just two or three items in our policy. May I say, further, that although there may be

difficulties in bringing about the changes I have suggested, it is also extremely difficult to continue in the same way as we are going at the present time. Because when we have, as at present, approximately one half million people in the ranks of the unemployed, and when we have no hope of their being absorbed into industry, what is the future of the country going to be? What are the youth of Canada going to do, hundreds of thousands of whom have never done a day's work in their lives, many of whom are unable to find useful employment and to become useful citizens? Is there in the program offered by the government up to the present time anything which will bring about more or less of a permanent solution of the unemployment problem? I do not think so.

The government has enunciated three items or three policies in its program for the relief of unemployment. One is the employment commission; the second is the expansion of trade and the third is a relief program. I do not think the first solution, namely the employment commission, will solve the problem of unemployment. In discussing the work of the commission I believe the minister has said that it would be temporary and that it would attempt to liquidate the problem in so far as it affected the provinces. Then, public works are only a temporary remedy; they bring about only a measure of temporary relief. As has been pointed out by the leader of the opposition, the money provided for public works in the present year is no more than was provided in years gone by, yet in those cities or districts where the money was spent only a very small proportion of the men out of work were absorbed.

So far as the next item, namely expansion of trade, is concerned, I am afraid that it is one thing to be in favour of a policy and another thing to carry it out. So, while I would do all within my power to assist a government in providing or finding markets abroad, I must contend that the first people who ought to be supplied with the necessities of life are not those who live in other parts of the world but those living right here in Canada. There is no greater potential market for the goods we produce than the one here at home. Why talk about sending our wheat or other surplus commodities to the people of other nations, when there is such a great demand among our own unemployed for the things we have in Canada which should be made available to them. One of the first actions of the government should be to attempt to bridge the gap between consumption and production, and until a government attacks the problem of bringing about a reasonable equality between consumption and production, meanwhile maintaining production at a high level, I claim there can be no solution for the problem of unemployment. For until such time as we have reasonable equality, maintaining a high level of production and a high level of consumption, I say that the government is travelling in the wrong direction in its efforts to meet the unemployment problem.

The problem as we have it to-day is by no means a temporary one, and we should not as a parliament attempt to deal with it as such, for it is a problem which has persisted in maintaining itself for a period now of approximately six years, after the methods of relief and public works have been applied and it has not yielded to any form of treatment. The government, I say, should therefore learn from past experience and turn their efforts in a completely different direction. But they are not doing that. If the government were opening new avenues of dealing with the unemployment problem we might look on the measures which they are now adopting with a good deal more sympathy than we do now, even though I do say that it is essential in the circumstances to have these appropriations passed in order to meet the unemployment situation which to-day exists. But the unemployment problem instead of being temporary in nature is, I believe, now a permanent feature of the economic situation as it has now developed in this and other countries. In the United States they have spent billions upon billions of dollars in attempting to deal with the unemployment problem, and it is quite true that the billions and billions of dollars they have pumped into their economic life might have had the effect of giving renewed life to the industries of that country, but in spite of that fact the moment they stopped pumping money into the economic life of the country there was a recession in trade. Even in Canada the increase in the volume of trade that has manifested itself has been due to the amount of public expenditures which the previous government had undertaken.

As I said a moment ago, if the government are anxious to deal with the unemployment problem in a way that is fundamental they have to depart from the old ways of dealing with it and to try something different and apart from public works and apart from relief. They have to get away from the idea that markets are open for the expansion of trade. I am quite sure that the previous govern-

ment were just as anxious as the present one, even though they may have adopted an entirely different policy, for an expansion of our trade. Their intention was just as honest and just as sincere as that of the present government. I had hoped that the minister would have adopted something new or at least departed from the old line policy and, as was promised so frequently during the past election, given the people of this country some hope of future economic security. But in all that the government have attempted in the past six months since they have been in office there is nothing very much different from what the previous government attempted.

Mr. ROGERS: Does not my hon. friend think in dealing with this question either here or elsewhere it is of some value to profit from experience? He has suggested a departure into some new way. I have no objection to some new way provided I can see where it leads.

Mr. HEAPS: One is bound sometimes to undertake experiments and blaze a new trail. If we had always followed the policy which the minister now commends no progress whatever would have been made. It is only by people taking chances, by scientists taking chances, by medical science and every other form of science taking chances, that any progress is made, and the same principle holds in economics. If we are going to make progress we shall be compelled to blaze a new trail and travel in a new direction even in the sphere of economics because the old order has completely failed. It has not found a way out; it has not offered a solution, and what is more it has not given and does not give to-day a ray of hope to the hundreds of thousands of people in this dominion who are out of work.

I know the minister is just as anxious as I am or as any other hon. member is to do something for the unemployed in this country. No one for a moment doubts his motives. I never have doubted for a moment the motives and good intentions of the minister, but I feel that his methods and the methods of the government are entirely inadequate to cope with the serious situation which has developed and which faces us in Canada to-day. Possibly my plea to the minister may not fall at this time on fertile ground. I know that his friends in his own city have a high regard for the Minister of Labour and even they are expecting a great deal of him. I also have a high personal regard for the Minister of Labour, as I think the members of the house in general have, and I have a great deal of sympathy for him because he has been put into a position in the government where he has the most difficult problem to deal with of any minister bar none. We all realize that, and if to-day we offer criticism it is not criticism of the minister personally; it is criticism of the action of the government for not attempting to blaze a new trail, because in my opinion only by blazing new trails shall we arrive at some measure of solution of this unemployment problem.

The minister dealt with the position of Great Britain from 1929 to 1931. I assume he must be cognizant of what the government of New Zealand is doing at the present time. They have an unemployment situation to face, but have they said: We are going to maintain and follow the trails of the old parties? No, they have decided to blaze a new trail, to travel in an entirely new direction. Do they know where they are going? I assume they do, and even if they do make mistakes I would far rather the government make mistakes in attempting to do something than do very little and make no mistakes at all.

Mr. BENNETT: The minister in the course of his observations made a statement that impels me to rise for the purpose of directing the attention of some of the new members of the house to the fact that for five years we sat on the treasury benches and we listened to attacks, not for hours but for days, against measures just such as those which are now being recommended to this committee. The minister suggested that there were some who did not desire to see ordered progress. He was not in the house in those days, but he must recall the dark days of 1932 and 1933, when we were confronted with conditions which this country had to face, and did we have a word of sympathy, a word of appreciation, a word of understanding? Not one word of helpful criticism or constructive assistance. We were attacked not only for hours but for days and days and days, just because we were doing what the minister is doing now, introducing identical measures.

Mr. ROGERS: Oh, no.

Mr. BENNETT: So far as the measures are concerned, yes, but as to limitation on the amount to be spent, no. I will name the measures one after another. Farm placement has been in force since 1932, and before. It was introduced by the former government and carried into effect. Take the question of grants in aid to provinces; take the question

of public works; take the 1930 appropriation of $20,000,000; take assistance for direct relief—all this we were carrying out.

Mr. ROGERS: But under a blank cheque.

Mr. BENNETT: Certainly, because conditions in the country were such that we did not desire to place a limitation upon what we might be able to do. We will not go into that ground, but the fact is that the measures were the same as those to which the hon. member for Winnipeg North has just referred. When I recall the bitterness of the attacks and the personal abuse that took place of members of the government; when I recall what my colleagues had to meet, I think the minister is ill-advised when he states that there are members of this house who do not desire to see progress made in an ordered way. We will yield neither to him nor to anyone else in our desire to see this country get out of the difficulties it is now in. None of us will yield for a single moment to him in that desire, and when he suggests that there are members of this house who, because of political or other reasons, are not anxious to see his efforts succeed—

Mr. ROGERS: When was that statement made, and where, if I may ask?

Mr. BENNETT: Just a few moments ago.

Mr. ROGERS: I am quite willing to leave it to my right hon. friend to read Hansard to-morrow.

Mr. BENNETT: It was made this evening.

Mr. ROGERS: I think he will find that no statement of that kind came from me.

Mr. BENNETT: The statement was that he was not so sure there were not those in the house who did not share that view.

Mr. ROGERS: That is not the statement just made by my right hon. friend.

Mr. BENNETT: I certainly do not want to misrepresent the hon. gentleman. I listened with great interest to what he was saying, as I always do, and I understood him to say that we were going forward in an ordered way; that if we did not go forward we could not make the progress we desired. As he said before, activity is not progress. He said he was not quite sure that there were not members of this house who did not share his view and who did not desire to see his efforts towards ordered progress succeed.

Mr. ROGERS: I am sure that is not the suggestion made by my right hon. friend a moment ago.

Mr. BENNETT: That is what I was endeavouring to say. I do not desire in any sense to misrepresent the hon. gentleman, far from it. I heard the burst of applause which followed what was said by the minister because in the discussion of this item he was assuming an attitude of to some extent resenting criticism. I could not help thinking that these were the same men——not all of them, but the same party—who sat here hour after hour and day after day, condemning the putting into effect, except as to the blank cheque, of the very same policies this committee is now asked to adopt. The minister suggests that there should be a sympathetic attitude—that is really the sense of his remarks—on the part of all members of this committee to men who are confronted for the first time with a new problem. Permit me to remind him that in August, 1930, the government was confronted with a new problem. Men who were inexperienced, who had not been prime minister of the country for eight or nine years, were faced with this problem. The statement is made as to cooperation not existing in this chamber, but I can remember a statement made just prior to the time the last Liberal budget was delivered; I can remember how the budget itself was framed and based upon the assumption that this country was going forward with continuous surpluses. The minister now suggests that we should take a reasonable and proper attitude towards the matter, and he is quite right. It was for that we pleaded; that was what we did not receive.

There was a change of government, and that change of government was predicated upon immediate action being taken to remedy what was represented as being an improper attitude of the then government towards this problem. Some of us have pointed out that you are following the same course as that of your predecessors, except that you have placed a limitation upon your bounty and upon your expenditures. It does not come with good grace when you complain that those who sit opposite point out that there has been no change except as to the extent to which you have limited your measures of relief. In other words, you have said to parliament, restrict and restrain, and the Prime Minister (Mr. Mackenzie King) has given the reason why. I am not going to discuss this. There were moments of great peril and great emergency in 1932 and we did not place a limitation upon anything except direct relief.

This government in its wisdom has placed a limitation upon the amounts that may be expended. Is that going to be a solution of the relief problem? Is that a measure of relief? Is that a new policy in connection with relief? Will that provide employment? Will that assist even one man to supply his

family with food and clothing? Will that give any of these men decent jobs? Will any of these things be done by placing a limitation upon it? I think not. I rose to-night merely to point out these matters and to direct attention to the continued criticism and almost merciless attacks which were made upon those charged with responsibility. We cannot be blamed for asking questions, for trying to obtain information as to the government's new policy. I agree with the minister when he says that he should not be blamed for profiting by the experience of the past. It is a matter of great gratification to us to realize that he has placed the imprimatur of his high approval upon our experience.

Mr. ROGERS: I would not for one moment seek to deprive the right hon. gentleman of any solace of vindication which he is able to discover in the policies we have adopted However I think it should be brought to the attention of the committee that when the previous opposition took exception to the policies followed by the right hon. gentleman and his followers, it was because of the unlimited powers which were not only given, but exercised in a large measure under the relief acts of that period. I hold in my hand a statement consisting of three pages outlining the various undertakings which were entered into under the blank cheque provisions of the relief legislation. I think my right hon. friend will recognize that in my whole handling of this unemployment question, I have sought to avoid recriminations.

Mr. BENNETT: I agree with that.

Mr. ROGERS: I still intend to do so because it seems to me that the problem is too grave for partisan controversy. I should like also to correct any idea that I resent criticism. I do not resent criticism. As a matter of fact I think anyone entering the Department of Labour at the present time should expect criticism. He should be grateful for it when it is constructive. Even when it is not, he should realize that his reasoning is by no means infallible, and I can assure hon. members that the various suggestions which have been brought forward in these discussions will receive such consideration as we are able to give them. This problem is one which deserves the earnest attention, not only of this government but of this parliament.

Mr. BENNETT: And of the people of Canada.

Mr. ROGERS: And of the people of Canada, and I hope that we may continue to treat it in that way.

Progress reported.

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

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## Friday, May 1, 1936

The house met at three o'clock.

### RULING OF MR. SPEAKER

ON POINT RESPECTING STATEMENT MADE BY THE HONOURABLE MEMBER FOR TÉMISCOUATA

Mr. SPEAKER: On Monday last the hon. member for Témiscouata (Mr. Pouliot) was asked by me, as Speaker of this house, to withdraw a statement which he made concerning the leader of the opposition (Mr. Bennett) and which the right hon. gentleman denied. The hon. member utterly refused to conform to my ruling and went as far as to defy the chair by saying:

> If I am wrong, I will withdraw; if I am not wrong, I will not withdraw.... I will see the book before withdrawing.

He walked out of the house while repeating this statement. In doing so he offended not only against parliamentary practice but also against the proprieties of the House of Commons.

It is my duty as Speaker to keep intact the rules of debate and to safeguard the dignity of the Chair. I have waited a few days before taking action because I felt the hon. member for Témiscouata would realize the gravity of his conduct and take the first opportunity to make the withdrawal asked by the chair.

I note in the official debates that he was willing to withdraw his statement in committee of the whole yesterday but was prevented from doing so by the chairman who rightly decided that, the offence having been committed in the house, retraction must be made when the Speaker is in the chair.

As a refusal to yield to the Speaker's authority is a serious matter which cannot be overlooked, I must insist on the hon. member for Témiscouata withdrawing the statement he made regarding the right hon. leader of the opposition, and I trust that in his desire to ensure the true observance of parliamentary practice he will do so in good grace. Unfortunately I do not see the hon. member in his seat, but I hope the next occasion he is in the house he will abide by my ruling and make a retraction accordingly.

## THE BUDGET

### ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, I rise to address you to-day, sir, not only with a due sense of the high privilege which is mine, but also with a deeper sense of grave responsibility than I have ever felt before. In times such as these through which we are passing, the responsibility of endeavouring to place before the house and the people of this country a clear and complete statement of the economic position of Canada, the facts regarding our governmental finances, and proposals for meeting the situation thus revealed for the present fiscal year, is unusually great. I know I shall not ask in vain for the sympathetic attention of all my fellow members, although the presentation of figures will inevitably be rather trying to the patience of the house.

Before dealing with the government accounts I propose to survey briefly the recent trends of business and trade in Canada.

The most welcome feature in the fiscal year which has just closed has been what it indicates of a movement toward recovery. I do not wish to exaggerate the extent of that recovery, for to those who are charged with responsibilities of government in these hard days the distance yet to go and the problems still to be solved are the features of our economic record which are most impressive—and at the same time most distressing. Nevertheless, one cannot view the picture broadly without realizing that improvement—however gradual—is real and steady, and that the general undertone is one of definite strength. In spite of prevailing uncertainties in the international political outlook and the persistence of extreme nationalistic policies, the pressure of the economic forces making for recovery continues. These forces may be retarded but they appear now to be sufficiently powerful to make continuing progress, unless war, the great destroyer, should again intervene.

Analysis of the Canadian figures indicates that our past gains are being consolidated and that the upward swing of the business cycle is currently establishing higher levels of activity generally throughout the industrial and commercial field. The index of the physical volume of business compiled by the Dominion Bureau of Statistics to indicate the broad movements of economic activity, stood at 103·3 in March of this year as compared with 94·2 for March of last year. This is an improvement of approximately 10 per cent. However, to appreciate fully the significance of this improvement, one should compare the present level of 103·3 with the figure 67·0 which was the level recorded at the low point of the depression in February, 1933. In other words, the increase during this period has been over 54 per cent. The average level of this index in each of the past three calendar years was 79·7, 94·2 and 102·4. These increases are impressive, particularly when one recalls that this index measures the physical volume of output in nearly all our leading industries as well as freight traffic on our railways, building activity and domestic trade.

While I desire to avoid complicated statistics as far as possible, it is necessary to refer to the progress made by a few of the more important Canadian industrial groups.

For the first three months of this calendar year, 1936, manufacturing of all kinds showed an average expansion of 8·5 per cent over the first quarter of 1935. Within this broad field, the substantial improvement in the output of the primary iron and steel industry is particularly heartening. In the latter half of 1935, this industry showed striking advances, steel output increasing 23 per cent and pig iron 48 per cent over 1934, and the improvement was continued during the first quarter of 1936, notably in January. This, in itself, is important, but it is especially significant as indicating a broadening out of the recovery movement into the heavy or durable goods industries. The construction industry, while still operating on abnormally low levels, enjoyed substantial percentage gains in 1935 over 1934, and the present outlook for building appears to be the best in several years.

The forestry group of industries showed marked expansion in 1935. Lumber production on the Pacific coast was about 20 per cent greater than in 1934 and reached the highest point since 1929. Shingles found better markets abroad and exports increased 96 per cent. The newsprint industry, although still beset with abnormally low prices and financial difficulties, increased production to new record levels. Perhaps the most satisfactory evidence of improvement in this whole group of industries is found in the increase of employment afforded by the industry—8 per cent in lumbering and 4 per cent in pulp and paper plants.

The mineral industry continues to establish new records of output. Canada's mineral output, valued at over 308 million dollars in 1935, recorded a gain of 11 per cent over the previous year and was only 1 per cent below the record year 1929 when prices for most metals were higher. Production of gold,

copper, nickel, zinc and several of the minor metals made new high records. Total output of gold amounted to 3,283,000 fine ounces with a total value at current market prices of nearly $115,000,000. Increase in mineral output continued unabated during the first quarter of this year. In February, for instance, the export of copper was greater than in any other February, and exports of nickel exceeded any other month in history, the bureau's index standing at 490·2 as compared with 317·9 in February, 1935.

Unfortunately, our most important primary industry cannot boast such results. Agriculture has again suffered from climatic hazards, restricted markets and low prices. According to the bureau's estimates, total farm revenue in 1935 amounted to $943,081,000, an increase of less than one per cent as compared with the previous year. Most disappointing was an 8 per cent decline in the value of the principal field crops, chiefly as a result of the price factor. Wheat prices were generally higher than in 1934, but the low grading resulting from rust and frost reduced the value of the crop to about that of the previous year. Increases in yield of oats and barley were more than offset by reduced prices. On the other hand, the contribution of animal products to farm purchasing power more than made up for the loss in field crops. The live stock industry showed considerable improvement. Higher marketings of cattle and better prices increased the value of live stock sales in 1935 by 22 per cent. Milk prices improved somewhat and exports of hog products to Great Britain expanded. The prairie provinces shared in the better returns from cattle and milk and a more uniform distribution of farm income prevailed than in 1934. In this connection I may point out that the advantages of access to wider markets to the south are already being realized. Three months' operation of the recent trade treaty offers evidence of its value to the farmers of this country. Every step which helps to provide markets for agriculture brings nearer that day when the Canadian farmer, receiving more for his products than it costs to produce them, will once more provide, through the stimulus of his purchasing power, a sound basis for national prosperity.

My colleague, the Minister of Labour (Mr. Rogers), has recently placed on Hansard comprehensive statistics in regard to the numbers of unemployed in various classifications. One of the most disappointing features of the business improvement so far is that the numbers of those on relief do not decline at the same pace as business activity recovers. The causes of this are chiefly to be found in the continuing growth of population bringing annually a new supply of workers into the industrial field, the customary initial effects of invention of new machines and processes, the gradual decline in the number of those unemployed or dependent who are taken care of by charity or by relatives, and the surplus labour power employed by many corporations which preferred to retain redundant staff or to work short time rather than to dismiss employees during the years of depression.

While for these reasons, expanding employment makes only slow progress in reducing the numbers on the relief rolls, nevertheless the increase in employment appears to be real and substantial. The bureau of statistics tabulates monthly statements on employment from over 9,000 of the larger firms engaged in manufacturing, logging, mining, transportation, communications, construction and maintenance, services and trade, and employing some 45 per cent of the total persons at work in all industries. From 93·4 on April 1, 1935, the index for all industries rose to a peak of 107·7 on November 1, an increase of 15·3 per cent, and with the usual seasonal decline during the winter months the index stood at 97·4 on April 1 this year, an increase of 4·3 per cent over April 1 a year ago. The index for manufacturing industries rose 10·2 per cent from April to November and on April 1 this year was still about 8 per cent above the level of the same date in 1935.

Supplementing this information it is encouraging to note from data published by the Department of Labour that remuneration to wage earners in 1935 was greater than in 1934 as a result of increases in various industries and localities. Part time and short time work were less prevalent. In logging, wages advanced generally throughout the maritime provinces and Quebec, while in Ontario and British Columbia rates had risen considerably in 1934. In coal mining, wages increased appreciably in Nova Scotia and Alberta, and there were some increases in metal mining wages. Improvement was also witnessed in manufacturing, particularly in clothing and furniture factories. Rates were raised in the construction trades in Quebec and Ontario, and railway wage rates also increased. Longshoremen's wages rose in most of the ocean ports and in some of the lake ports. Common factory labour was up 2·4 per cent, miscellaneous factory trades 2·3 per cent, and logging and sawmilling 5 per cent.

One of the most important signs of a more healthy business condition is that industrial and commercial earnings are continuing to show improvement. An analysis of the record of earnings of 241 leading Canadian corporations discloses that net earnings are about 8 per cent greater for the latest fiscal year

than for the previous fiscal period. When business is showing an increasing scale of earnings there are excellent grounds for anticipating further industrial and commercial improvement with increased volume of employment.

A very interesting feature of our Canadian economy is the remarkable degree of stability in the price level during the last two years. For March the bureau's index was 72·4 as compared with 71·9 a year ago, and since February, 1935, the range of variation from the line of 72 per cent of the average level of prices during 1926 has been extremely small. Further progress, however, was made during the year in correcting some of the disparities between various types of prices created by the drastic fall in the price level during the early years of the depression. One important feature of this corrective process was that farm product prices, particularly the prices of animal products, improved more rapidly than the general level. It is of vital importance that this corrective process should continue.

One price whose falling tendency is watched with considerable enthusiasm in many quarters is the cost of money; in other words, the rate of interest. In this case, of course, the decline is a favourable factor. This factor is usually measured by the yield on long term bonds. The bureau computes an index of the yield on long term Dominion of Canada bonds, using the average monthly yield for 1926 as the base or 100. The course of this index during the past year provides an interesting record of the investor's reaction to enactments or threatened enactments by provincial legislatures, to administrative decisions, to official pronouncements by radio or in the press or on the public platform, and to the manifold other hazards that may affect the capital markets. It bears eloquent testimony to the oft-repeated saying that capital is timid. Beginning at 70·9 in January the index of interest rates rose to 73·2 in February, dropped to 71·4 in March, rose to 72·2 in April, declined to 71·4 in May, rose to 73·4 in June, declined to 71·6 in August, then rose sharply to 79·8 in September, and thereafter with a slight interruption in December dropped steadily to 69·9 in March, the latest month for which the index is available. The March index is the lowest rate of interest figure recorded since the bureau began compiling this series in 1919 and probably represents the lowest yield on long term funds in the history of our country. Considering also the steady decline in the yield on our three-months treasury bills—our latest issue of these bills was sold on April 15th on a yield basis of approximately seven-eighths of one per cent—and I should interject here that another issue was sold yesterday at the slightly higher rate, if my memory serves me correctly, of just over nine-tenths of one per cent per annum—we have ample evidence of the progress which the dominion has made in securing that stimulus to economic recovery through low interest rates which has been so important a factor in the United Kingdom.

Unfortunately, these low rates are not available to all borrowers, particularly the most needy ones who are not usually considered the most credit-worthy. Nevertheless the low rates are beginning to permeate the interest rate structure as a whole. One evidence of this is the increasing volume of security flotations, not only by governments but also by private corporations, both for refunding and for new capital purposes. In 1935 the total volume of new issues offered has been estimated at 571 million dollars, an increase of 83 million dollars over 1934. Of this total, 325 million dollars were for refunding and the balance for new capital purposes. During the first quarter of this year, activity was greatly accelerated. In this period total new Canadian bond financing amounted to 241 million dollars, an increase of 180 million dollars over the first quarter of 1934. Of this total 70 million dollars were for refunding purposes. It is also significant that financing by corporations accounted for 105 million dollars or over 43 per cent of the financing of the first quarter of 1936 compared with 9 million dollars or less than 15 per cent for the first quarter of last year.

One factor retarding the full revival of confidence and the healthy functioning of the capital markets has been the cloud of uncertainty which has been overhanging the financial position of several of the provinces. It is revealing no secret to say that the credit of the four western provinces has been maintained during the last few years only by the financial support of the dominion. Despite the efforts—in some cases, the heroic efforts—of these provinces to cut expenditures and increase revenues, the burden of unemployment relief added to heavy interest charges on outstanding debt has been so heavy and the taxpaying ability of the people reduced so drastically by the economic conditions which prevailed that it has been impossible to provide out of taxes for the cost of unemployment relief, and even in some cases for a portion of ordinary governmental expenditures. In view, in part, of their own financial position and in part of conditions in the investment market, particularly in the early

years of the depression, these provinces have not been able to borrow economically, in the public markets. Whether wisely or not, the dominion government of the day faced with what it regarded as an emergency problem, initiated the policy of making loans to these provinces in order to enable them to meet their share of relief costs, maturing obligations, and in some cases even ordinary governmental expenditures. As I shall show later, such loans now amount to $116,500,000.

It has long been clear to everyone, I believe, that this process can not go on indefinitely. We are rapidly reaching—if we have not already reached—the impossible position where the dominion government will be the largest single creditor of these provincial governments. Moreover, if we continue this process of handing out funds without security and without control of any sort, we shall be in danger of undermining dominion credit, which, in my opinion, must be protected at all costs.

Recognizing the importance of this problem, the government has for the past six months been devoting a great deal of time and attention to working out a solution with the cooperation of the provinces. It was one of the major questions placed on the agenda of the dominion-provincial conference in December last, and initial discussions at this conference led to the appointment of a continuing committee on financial questions which held sessions in January and again in March. During these discussions, agreement was reached on a general method of procedure. The dominion undertook to initiate an amendment to the British North America Act which would (1) validate certain taxes now imposed by one or more of the provinces and give the provinces power to levy a tax on retail sales, thus providing an enlarged and more elastic provincial tax structure; and (2) enable the dominion to guarantee existing or future debts of a province as well as enable a province to give the dominion adequate security for such guarantee by the pledge of dominion subsidies and, if necessary, other specific revenues. If and when these enabling powers should be secured, the dominion undertook to sponsor legislation providing for the setting of up (1) a national finance council, which would consist of the dominion Minister of Finance and the provincial treasurer of each province, with the governor of the Bank of Canada as technical adviser, and which would provide a permanent mechanism for mutual discussion of taxation, investment and other financial problems, with advisory powers only; and (2) individual loan councils which would consist in each case of the dominion Minister of Finance and the treasurer of the province desiring to participate, with the governor of the Bank of Canada as technical adviser, and which would have power both to approve any program providing for refunding of the debt of a province under dominion guarantee and also to supervise future borrowing by such province. Dominion guarantee would be available to the province only when loan council approval to the proposed issue of securities had been obtained. Moreover, no compulsion was involved; the legislation contemplated would merely provide machinery which any province might take advantage of if it considered it to be in accordance with its own interests.

Since March 31 the government has not had any statutory authority to make loans or give guarantees to any province and even in the relief bill which is now before parliament such authority as is being asked for relates only to loans, advances or guarantees in connection with relief measures or undertakings. It is not proposed, except through loan council legislation, to ask parliament for authority to grant financial assistance to enable a province to meet a maturing obligation or to provide for other ordinary governmental expenditures.

Provincial obligations that have matured in recent weeks or are about to mature have led to extended discussion with the interested provinces. The correspondence exchanged with the province of Alberta has been tabled. That record speaks for itself. In brief, the federal government has taken the position that not only must it have adequate security for the financial assistance which it is called upon to give but also that the dominion government must be in a position to determine the extent to which and the conditions under which dominion credit is made use of now and in the future. It was a matter of great regret to us that the government of Alberta did not see its way clear to accept the conditions under which alone our assistance could have been made available. The province of Saskatchewan, which has an issue maturing to-day, May 1, has expressed a willingness to participate in the loan council arrangement and with the understanding that the dominion will proceed with its legislation, the province, I am advised, has made arrangements with the Bank of Canada to enable it to meet this maturity. I am also advised that the province of British Columbia will be able to redeem its obligation falling due on May 15 without recourse to outside assistance.

The government believes it essential to provide the necessary machinery for any province that may deem it desirable to take advantage of the facilities I have outlined. The government will therefore proceed with the resolution now on the order paper

designed to initiate the proposed constitutional amendment, and thereafter with the legislation providing for the establishment of loan councils and a national finance council. I may add that after the most careful consideration we are prepared to recommend certain modifications to the loan council arrangement originally suggested. These modifications would make it possible for a province which had submitted a borrowing proposal to the loan council, and which had not obtained the council's approval, to make such offering on its own credit in the domestic market. Approval of the loan council, however, would be mandatory for all external issues and also for domestic issues in those cases where the outstanding debt of the province is refunded under dominion guarantee. These changes, it is believed, will make the arrangement more acceptable to some of the provinces and still make it possible to secure the primary objectives which the dominion has in mind.

I might advise the house that the modification to which I have just referred is being communicated to all the provinces, particularly those primarily concerned, and of course will have their consideration, and we shall hear from them with respect to it before very long.

I trust that the position which the government has taken in these matters and the action which it proposes to take will commend themselves generally to the good judgment of members of this house. The record of Canadian securities in the investment markets of the world has been a most enviable one. It would be unfortunate if that record were seriously marred at this late stage when the outlook appears to be for continuing recovery and a probable rise in the world price level which will ease the burdens of debtor classes and debtor communities. The arrangement which we contemplate should provide a method for reducing interest burdens in a way acceptable to creditors. It should provide a means whereby provinces, fully cooperating, may restore their credit and place themselves in a position gradually to secure necessary funds for justifiable capital purposes. It should provide a regular and permanent mechanism for the mutual study, with expert assistance, of the difficult, technical financial problems with which all governments are faced. It should make for an avoidance in future of some at least of the costly mistakes made by dominion and provincial governments alike in the past, the continuing burden of which has made it so difficult to assume the new burdens of the present prolonged depression.

[Mr. Dunning.]

It is our hope that the arrangement which is now offered will appeal to all provinces which find it impossible economically to finance their own requirements. We are convinced that it will remove a factor which is now retarding economic recovery. As long as we have an economy based on private enterprise—based on the willingness of thousands of individuals to make commitments for the future in the hope that profits will accrue—so long will the factor of confidence play an important part. As long as fear of the safety of investments or uncertainty in any form persists, private enterprise will not go forward vigorously. We in Canada are powerless to remove the uncertainties in the world political outlook which unfortunately have been aggravated in recent months. We are in duty bound, however, to endeavour to remove all those factors in our domestic situation which tend to retard economic recovery.

TRADE OF CANADA

I turn now to a brief outline of the trends in our external trade. It is not putting it too strongly to say that foreign trade is the very life-blood of Canada. We have seen only too clearly in recent years the appalling effects on our internal economy of the decline of international commerce to about two-thirds of its former physical volume. The fruits of economic nationalism in reduced business activity, shrinking governmental revenues and widespread unemployment are such as to justify in abundant measure the efforts which the present government has made, and will continue to make, to free the channels of international trade and expand the markets for our primary and other industries which must otherwise suffer stagnation and drastic readjustment.

A start in this direction has already been made with the negotiation of a trade agreement with the United States. The conclusion of this agreement is probably the most significant step taken by two leading trading nations to reverse the trend of economic nationalism. Not only does the agreement open up wider markets for the products of each country, but it is also hoped that it will serve as a lead to other countries and thereby promote progressive lowering of the barriers which have been damming up the trade of the world. Such a movement would be of the greatest value to Canada, the prosperity of the whole dominion being so largely dependent on export outlets for the disposal of our surplus production.

An adjustment was also made of the difficulties which had arisen in relation to our trade with Japan. Without foregoing the safeguards necessary to legitimate Canadian enterprise, we succeeded in securing the cancellation of the duty surtaxes on a number of important products for which Japan has been a valuable customer.

Other steps taken to promote our export trade have been the extension of the trade agreement with New Zealand, which was due to expire on November 24, 1935, for a further period until July 31, 1936; an exchange of notes with France providing for certain adjustments in duties and quotas to supplement the agreements which had been concluded with that country; and the extension of the modus vivendi with Haiti whereby Canada is guaranteed the minimum tariff of that country for a further period of one year from April 15, 1936, or until the entry into force of a trade agreement, proposals for which have been submitted to the Haitian government.

Canada has long enjoyed profitable and pleasant trading relations with Belgium, and is anxious to strengthen our traditional friendship with that country. Representations having been made by the Belgian government that the specific duties imposed in 1935 on dressed and dyed rabbit skins have had the effect of very seriously curtailing exports of these to Canada, the government has decided to remove the duties in question, and to revert to the ad valorem rate formerly effective. In consideration of this treatment, I may say to hon. gentlemen who are smiling, the Belgian government has agreed to remove the turnover tax which for some time has been imposed on Canadian goods imported into that country and, also, to classify as cheddar the cheese received from this dominion. These concessions, the removal of the heavy turnover tax in particular, should stimulate our exports to Belgium in many lines of goods.

The government continues to give careful study to our trade relations with other countries having in view a steady increase in opportunities for the sale of Canadian exportable products. It may be expected that steps will be taken in the near future to enter into active negotiations for the conclusion of trade agreements with several important countries, in accordance with the policy of the government to bring about by the negotiation of bilateral agreements the progressive removal of the hindrances now hampering our international trade.

Serious attention is now being given to our trade relations with the most important of our customers, the United Kingdom. I am happy to be able to state that discussions will shortly take place between representatives of the two governments. I shall make more extended reference to this matter when discussing tariff changes.

I am pleased to be able to report, for the fiscal year just ended, an important gain in our total trade with other countries, amounting in round figures to 152 million dollars. This is an increase of 12·8 per cent over the previous year. It is true that world trade generally has improved during the past year, but it should be noted that while the average increase in trade of 24 leading countries in the calendar year 1935 was 4·1 per cent our own trade increase was 11·3 per cent. As a result of this marked expansion in our foreign commerce Canada has moved up from eighth to sixth place among the nations in total world trade.

A statement of total trade for the twelve months ended March 31, 1936, with comparative figures for 1935, follows:

Trade of Canada
(excluding gold coin and bullion)

| | Fiscal year ended March 31, 1935 | March 31, 1936 | Increase |
|---|---|---|---|
| Imports | $ 522,416,844 | $ 562,803,001 | $ 40,386,157 |
| Exports: | | | |
| Canadian produce | 659,899,994 | 765,615,563 | 105,715,569 |
| Foreign produce | 7,658,963 | 13,441,659 | 5,782,696 |
| | $1,189,975,801 | $1,341,860,223 | $151,884,422 |

Both imports and exports shared in the increase, but while imports rose by 40·4 million dollars, a gain of 7·7 per cent, exports were 111·5 million dollars higher, having increased by 16·7 per cent. This expansion of our exports gave us, for the year, a favourable balance of trade of 216 million dollars. This is the fifth successive yearly balance in our favour and is the largest since 1927. The importance to be attached to a favourable balance of trade must, of course, be considered in relation to total trade.

The figure for the balance of trade just mentioned does not include our exports of gold—the usual practice among nations being to show this item separately because of its

monetary use. With us, however, gold is a commodity and a very important part of our regular export trade. In the fiscal year just ended the adjusted estimate of our gold sold abroad was about 119 million dollars. By adding this to the merchandise balance of 216 million dollars already referred to it is seen that the total balance of commodity trade for the fiscal year just ended was 335 million dollars in our favour. Our tourist trade is also an extremely important credit item in Canada's international account. Preliminary estimates for 1935 show tourist expenditures in Canada of about 201 million dollars against Canadian expenditure in other countries of about 91 million dollars giving us a net credit balance in tourist traffic of about 110 million dollars.

The house will see, therefore, that if to our credit balance of 335 million dollars on merchandise and gold we add the net figure of 110 million dollars from tourists, the total balance in our favour from these items is 445 million dollars without taking into account the movement of securities, Canada is thus in a strong position with respect to payments which must be made abroad on account of our foreign financial obligations. Obviously there is here a solid foundation supporting our dollar in the foreign exchange market.

Upon analyzing our export trade, it is found that the United Kingdom is still our largest market having taken 293 million dollars or 41½ per cent in value of our goods exported in the eleven months ended February 29, 1936, which is approximately the same proportion of the total as in the previous similar period. The British empire as a whole purchased 362 million dollars worth, which was 15½ per cent more than for the same eleven months a year ago. Within the empire the increased purchases from us were distributed as follows; the United Kingdom 15·6 per cent, Australia 35·1 per cent, New Zealand 28·7 per cent, and South Africa 7·1 per cent. Exports to British India decreased by 17·2 per cent.

Not only do our increased exports bear witness to the steady growth of our trade with empire countries, but the same trend is also revealed in the figures of our purchases from these countries. While our exports to empire countries gained by 48·5 million dollars, our imports increased 19·4 million dollars or 13½ per cent in the eleven months period. This increase in imports from British countries was shared as follows: the United Kingdom 5·4 per cent, Australia 16 per cent, British India 13·4 per cent, New Zealand 21·7 per cent, and South Africa 41·3 per cent.

Figures showing trade with the United Kingdom and with other empire countries in the eleven months ended February 29, 1936, and in the previous year are as follows:

Trade of Canada with Empire Countries
(excluding gold coin and bullion)

| — | Eleven months ended | |
|---|---|---|
| | Feb. 28, 1935 | Feb. 29, 1936 |
| Imports from the United Kingdom | $102,602,618 | 293,002,334 |
| Exports to the United Kingdom | 253,488,637 | 163,429,300 |
| Imports from the British Empire | 143,989,314 | 362,178,462 |
| Exports to the British Empire | 313,665,822 | $108,177,173 |

Turning now to foreign countries, our trade with the United States is of particular interest following the recent agreement. Exports to the United States for the full year ended March 31, 1936, amounted to 291·3 million dollars as compared with 230·8 million dollars for the previous year. This is a gain of 60·5 million dollars or 26·2 per cent in our exports to the United States. Thus out of a total increase in exports for the year of 111·5 million dollars over 54 per cent of the gain was accounted for by additional sales to the United States. While it is too soon to expect to have realized the full expansion of trade which is expected to follow from the agreement, the latest monthly figures clearly indicate a growing volume of goods moving in both directions across the border.

[Mr. Dunning.]

Exports to the United States for the three months January, February and March of this year totalled $70,868,053 as compared with $57,061,713 for the same three months of 1935. This is a gain of 24·2 per cent for the period.

Imports from the United States for the full year just ended were $319,610,706 which is an increase of 16 million dollars over the preceding year. 7·2 million dollars of this increase were recorded in the first three months of this year under the operation of the trade agreement.

Over 56 per cent of our imports come from the United States. At the same time they take only 37 per cent of our exports. From empire countries we purchase about one-third of our imports and sell to them just over one-

half our goods exported. Approximately 89 per cent of our total trade is with the British empire and the United States.

There is in this brief survey of our foreign commerce much to cheer us, and I believe this steadily expanding trade with other countries testifies strongly to the fundamental soundness of the movement toward recovery in Canada.

Turning now to the government accounts, may I state that, while the fiscal year ended on March 31, the final accounting has not yet been completed. Consequently, minor changes, and minor changes only, may later be made in the figures now given.

I trust the house will allow for my difficulties in dealing with a fiscal year seven months of which had elapsed before the present government came into office. We were faced with the commitments of our predecessors, which, in large measure, prevented important changes in financial policy during a year more than half of which had already passed.

In order to simplify the presentation of the accounts, I shall, with the permission of the house, now place on Hansard a number of tables showing the usual five-year comparisons of revenues and various classes of expenditure. This will enable me to present a clearer explanation of a technical and complicated series of accounting and statistical facts. The tables follow:

Statement of Revenues for the last Five Fiscal Years
(000 omitted)

| Tax Revenues | 1931-32 | 1932-33 | 1933-34 | 1934-35 | Estimated 1935-36 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Customs import duties | 104,133 | 70,073 | 66,305 | 76,562 | 74,000 |
| Excise duties | 48,655 | 37,834 | 35,494 | 43,190 | 44,410 |
| War tax revenues— | | | | | |
| Banks | 1,390 | 1,328 | 1,336 | 1,368 | 1,305 |
| Insurance companies | 12 | 826 | 742 | 750 | 760 |
| Delayed business profits | 3 | ..... | ..... | ..... | ..... |
| Income tax | 61,255 | 62,067 | 61,399 | 66,808 | 82,700 |
| Sales tax | 41,734 | 56,814 | 61,392 | 72,447 | 77,000 |
| Manufacturers' importation, stamp, transportation taxes, etc | 17,872 | 25,377 | 45,184 | 39,745 | 35,700 |
| Tax on gold | ..... | ..... | ..... | 3,573 | 1,413 |
| Total revenues from taxes | 275,054 | 254,319 | 271,852 | 304,443 | 317,288 |
| Non-Tax Revenues | | | | | |
| Canada Grain Act | 1,485 | 1,445 | 1,236 | 1,205 | 1,219 |
| Canada Gazette | 74 | 74 | 56 | 47 | 49 |
| Canals | 977 | 831 | 878 | 838 | 883 |
| Casual | 3,758 | 3,192 | 3,613 | 4,337 | 4,372 |
| Chinese revenue | 10 | 9 | 6 | 6 | 6 |
| Dominion lands | 485 | 459 | 419 | 516 | 455 |
| Electricity | 402 | 298 | 440 | 485 | 530 |
| Fines and forfeitures | 234 | 212 | 178 | 90 | 199 |
| Fisheries | 40 | 5 | 39 | 43 | 41 |
| Gas inspection | 81 | 84 | 76 | 96 | 91 |
| Insurance inspection | 150 | 160 | 149 | 139 | 147 |
| Interest on investments | 9,330 | 11,221 | 11,148 | 10,963 | 10,600 |
| Marine | 192 | 178 | 208 | 218 | 223 |
| Mariners' fund | 184 | 180 | 188 | 181 | 189 |
| Military college | 20 | 20 | 20 | 20 | 20 |
| Military pensions revenue | 163 | 166 | 165 | 174 | 172 |
| Ordnance lands | 14 | 17 | 18 | 16 | 15 |
| Patent and copyright fees | 525 | 539 | 429 | 426 | 450 |
| Penitentiaries | 166 | 121 | 98 | 74 | 60 |
| Post Office | 32,235 | 30,928 | 30,893 | 31,248 | 32,507 |
| Premium, discount and exchange | ..... | 146 | ..... | 752 | 50 |
| Public Works | 281 | 213 | 250 | 254 | 241 |
| Radio licences | 529 | 1,414 | 1,291 | 1,487 | 1,562 |
| R.C.M.P. officers' pensions | 15 | 12 | 12 | 9 | 9 |
| Weights and measures | 407 | 394 | 400 | 407 | 402 |
| | 51,757 | 52,318 | 52,210 | 54,031 | 54,492 |
| Total ordinary revenues | 326,811 | 306,637 | 324,062 | 358,474 | 371,780 |
| Special Receipts | | | | | |
| Sundry receipts and credits | 7,028 | 4,493 | 418 | 3,397 | 320 |
| Total revenues | 333,839 | 311,130 | 324,480 | 361,871 | 372,100 |

Statement of Expenditures by Departments for the last Five Fiscal Years
(000 omitted)

| Ordinary Expenditures | 1931-32 | 1932-33 | 1933-34 | 1934-35 | Estimated 1935-36 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Agriculture | 10,212 | 8,066 | 6,996 | 7,107 | 9,703 |
| Auditor General's office | 436 | 380 | 376 | 377 | 428 |
| Civil Service Commission | 306 | 244 | 221 | 221 | 260 |
| External Affairs, including office of the Prime Minister | 994 | 863 | 974 | 1,427 | 1,324 |
| Finance— | | | | | |
| Interest on public debt | 121,151 | 134,999 | 139,725 | 138,533 | 134,550 |
| Cost of loan flotations | 1,350 | 1,639 | 2,550 | 2,890 | 3,575 |
| Premium, discount and exchange (net) | 728 | ..... | 167 | ..... | ..... |
| Subsidies to provinces | 13,695 | 13,677 | 13,728 | 13,769 | 13,769 |
| Special grants to provinces | 1,600 | 1,600 | 1,600 | 1,600 | 3,975 |
| Other grants and contributions | 536 | 499 | 398 | 467 | 761 |
| Civil pensions and superannuations | 1,172 | 1,098 | 1,032 | 943 | 868 |
| Government contribution to superannuation fund | 2,229 | 2,270 | 1,986 | 1,947 | 1,875 |
| Old age pensions | 10,032 | 11,513 | 12,314 | 14,942 | 16,760 |
| General expenditure | 1,845 | 2,046 | 3,148 | 3,925 | 3,724 |
| Fisheries | 2,046 | 1,787 | 1,596 | 1,641 | 1,727 |
| Governor General's secretary's office | 148 | 136 | 136 | 133 | 137 |
| Immigration and Colonization | 2,200 | 1,689 | 1,369 | 1,269 | 1,334 |
| Indian Affairs | 5,081 | 4,499 | 4,380 | 4,362 | 4,886 |
| Insurance | 180 | 161 | 152 | 156 | 171 |
| Interior | 4,647 | 3,454 | 2,833 | 2,744 | 2,952 |
| Justice | 2,793 | 2,691 | 2,712 | 2,718 | 2,753 |
| Penitentiaries | 2,737 | 2,870 | 2,677 | 2,667 | 2,477 |
| Labour | 633 | 605 | 560 | 581 | 662 |
| Technical education | 283 | 202 | 129 | 91 | 100 |
| Government annuities—Payment to maintain reserve | 262 | 289 | 184 | 146 | 272 |
| Legislation— | | | | | |
| House of Commons | 1,982 | 2,210 | 986 | 1,796 | 1,505 |
| Library of parliament | 81 | 65 | 69 | 71 | 77 |
| Senate | 650 | 747 | 286 | 491 | 491 |
| General | 79 | 81 | 62 | 95 | 60 |
| Dominion Franchise office | ..... | ..... | ..... | 1,545 | 503 |
| Chief Electoral office including elections | 145 | 56 | 32 | 146 | 1,093 |
| Marine | 7,262 | 5,801 | 5,439 | 5,742 | 5,959 |
| Canadian Radio Broadcasting Commission | ..... | 149 | 1,025 | 1,249 | 1,510 |
| Mines and Geological Survey | 1,264 | 1,048 | 909 | 965 | 1,102 |
| Movement of Coal and Domestic Fuel Act | 721 | 1,220 | 2,772 | 2,124 | 2,055 |
| National Defence— | | | | | |
| Militia service | 9,700 | 8,719 | 8,774 | 8,853 | 10,197 |
| Naval service | 3,043 | 2,167 | 2,171 | 2,222 | 2,379 |
| Air Service | 4,040 | 1,731 | 1,685 | 2,258 | 3,865 |
| Sundry services | 1,347 | 1,078 | 791 | 799 | 825 |
| National Revenue, including Income Tax | 13,920 | 10,846 | 10,354 | 10,165 | 10,983 |
| Pensions and National Health— | | | | | |
| Treatment and after-care of returned soldiers | 11,633 | 10,510 | 9,571 | 10,127 | 11,328 |
| Pensions, war and military | 47,770 | 44,185 | 42,923 | 43,232 | 42,870 |
| Health Division | 1,246 | 924 | 802 | 809 | 879 |
| Post Office | 36,052 | 31,607 | 30,554 | 30,252 | 31,607 |
| Privy Council | 53 | 47 | 49 | 46 | 47 |
| Public Archives | 212 | 174 | 157 | 209 | 162 |
| Public Printing and Stationery | 289 | 231 | 172 | 368 | 168 |
| Public Works | 17,648 | 13,108 | 10,827 | 9,905 | 12,951 |
| Railways and Canals | 3,997 | 3,667 | 3,315 | 4,581 | 4,305 |
| Maritime Freight Rates Act | 2,555 | 1,921 | 1,989 | 2,529 | 2,352 |
| Railway grade crossing fund | 959 | 318 | 310 | 275 | 128 |
| Royal Canadian Mounted Police | 3,488 | 5,820 | 5,528 | 5,970 | 6,192 |
| Secretary of State | 483 | 418 | 387 | 389 | 704 |
| Soldier Settlement | 1,036 | 818 | 810 | 746 | 761 |
| Trade and Commerce— | | | | | |
| Department | 6,417 | 3,277 | 3,007 | 3,058 | 3,528 |
| Canada Grain Act | 2,306 | 2,026 | 1,759 | 1,679 | 1,852 |
| Mail subsidies and steamship subventions | 2,999 | 2,081 | 2,221 | 2,274 | 2,431 |
| Adjustment of war claims | 91 | 55 | 56 | 48 | 71 |
| Reparations—Claims for compensation | 1,331 | 188 | ..... | 6 | ..... |
| Sundry charges to consolidated fund | 50 | 74 | 37 | 20 | 4 |
| Total ordinary expenditure | 372,145 | 354,644 | 351,772 | 359,700 | 373,987 |

Statement of Expenditures by Departments for the last Five Years—*Continued*

(000 omitted)

| Capital Expenditures | 1931-32 | 1932-33 | 1933-34 | 1934-35 | Estimated 1935-36 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Canals | 3,299 | 3,027 | 1,975 | 331 | 460 |
| Railways | 6,242 | 1,503 | 737 | 507 | 305 |
| Public Works | 7,439 | 4,018 | 3,778 | 6,189 | 5,811 |
| Total capital expenditures | 16,980 | 8,548 | 6,490 | 7,027 | 6,576 |
| Special Expenditures | | | | | |
| Unemployment Relief Act 1930 | 13,190 | 548 | 4 | 3 | 24 |
| Unemployment Relief Act 1931 | 25,106 | 17,048 | 564 | 52 | 24 |
| Unemployment Relief Act 1932 | ..... | 19,125 | 6,948 | 399 | 105 |
| Unemployment Relief Act 1933 | ..... | ..... | 28,382 | 2,420 | 491 |
| Unemployment Relief Act 1934 | ..... | ..... | ..... | 49,114 | 1,121 |
| Unemployment Relief Act 1935 | ..... | ..... | ..... | ..... | 47,704 |
| Total unemployment relief | 38,296 | 36,721 | 35,898 | 51,988 | 49,469 |
| Public Works Construction Act | ..... | ..... | ..... | 8,673 | 30,232 |
| Canadian Pacific Railway (Relief acts—advances non-active) | ..... | 1,447 | 1,000 | ..... | ..... |
| Reduction of loans to soldier settlers | ..... | ..... | 1,766 | 469 | 439 |
| Wheat bonus | 10,908 | 1,811 | ..... | ..... | ..... |
| 1930 Wheat Crop Equalization Payments Act | ..... | ..... | ..... | ..... | 6,600 |
| Loss on 1930 wheat pool and stabilization operations—Payment to Canadian Wheat Board of net liability assumed as at December 2, 1935 | ..... | ..... | ..... | ..... | 15,856 |
| Loss on 1930 oats pool under guarantee of bank advances to Canadian Cooperative Wheat Producers Limited | ..... | ..... | ..... | ..... | 174 |
| Total special expenditures | 49,204 | 39,979 | 38,664 | 61,130 | 102,770 |
| Government Owned Enterprises | | | | | |
| Losses charged to consolidated fund— | | | | | |
| Canadian National Railways system ex eastern lines | (1) | 53,423 | 52,264 | 42,590 | 41,796 |
| Eastern lines | 6,632 | 8,717 | 6,691 | 5,818 | 5,625 |
| Canadian National Steamships | ..... | ..... | ..... | ..... | 270 |
| Harbour commissions | ..... | ..... | ..... | ..... | 1,139 |
| Total charged to consolidated fund | 6,632 | 62,140 | 58,955 | 48,408 | 48,830 |
| Loans and advances non-active— | | | | | |
| Canadian National Steamships | 1,199 | 1,383* | 14* | 487 | 333* |
| Harbour commissions | 1,913 | 4,898 | 2,110 | 1,242 | 2,461 |
| Accounts carried as active assets, transferred to non-active assets | ..... | (2)62,938 | ..... | 11 | ..... |
| Total non-active advances | 3,112 | 66,453 | 2,096 | 1,740 | 2,128 |
| Total government owned enterprises | 9,744 | 128,593 | 61,051 | 50,148 | 50,958 |
| Grand total expenditure | 448,073 | 531,764 | 457,977 | 478,005 | 534,291 |

* Cr.

(1) $52,256,000 for fiscal years 1931-32 was financed by loans and /or guarantee of securities.

(2) Canadian National Railways—Loans for 1931-32—$41,121,000. Sundry harbour commissions—Advances prior to 1932-33—$21,817,000.

Summary of Revenues and Expenditures
(000 omitted)

| — | 1931-32 | 1932-33 | 1933-34 | 1934-35 | Estimated 1935-36 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Ordinary expenditures | 372,145 | 354,644 | 351,772 | 359,700 | 373,987 |
| Ordinary revenues | 326,811 | 306,637 | 324,062 | 358,474 | 371,780 |
| Deficit on ordinary account | −45,334 | −48,007 | −27,710 | −1,226 | −2,207 |
| Special expenditures | 49,204 | 39,979 | 38,664 | 61,130 | 102,770 |
| Less special receipts | 7,028 | 4,493 | 418 | 3,397 | 320 |
| Balance | 42,176 | 35,486 | 38,246 | 57,733 | 102,450 |
| Add capital expenditures | 16,980 | 8,548 | 6,490 | 7,027 | 6,576 |
| Add government owned enterprises | 9,744 | 128,593 | 61,051 | 50,148 | 50,958 |
| Total | 68,900 | 172,627 | 105,787 | 114,908 | 159,984 |
| Add deficit on ordinary account | 45,334 | 48,007 | 27,710 | 1,226 | 2,207 |
| Total deficit or increase of net debt | 114,234 | 220,634 | 133,497 | 116,134 | 162,191 |

It is also proposed to depart from what I have sometimes called the "bridge score" method of accounting—so much above the line and so much below the line—and to present clearly the over-all deficit in the government's accounts. In the past we have too frequently misled ourselves by the form in which our government accounts were presented. We have pointed with pride to a small surplus on ordinary account and we have tended somewhat to minimize the importance of large deficits resulting from capital and special expenditures. It is time to look the facts squarely in the face. If the people of Canada are fully aware of all the facts, I am confident they will support us in taking the steps necessary to achieve that balance of government revenues and expenditures which in my opinion cannot safely be postponed much longer.

REVENUES 1935-36

Our total revenue from taxation and other sources during the past year aggregated $372,100,000. This total is $10,229,000 in excess of the total revenue for the preceding fiscal year.

The revenue from taxes alone amounted to $317,288,000, an increase of $12,845,000 over the preceding year.

The increase in tax revenue is more than fully accounted for by the income tax which yielded $82,700,000 as compared with $66,808,000 in 1934-35. This is the highest yield ever recorded from the income tax, the largest figure for any previous year being that of $78,684,000 in 1921-22. The increase during the past year arises in part from the improvement in individual and corporate incomes, but in part also from the surtax on investment income which was imposed for the first time last year.

The sales tax which was the second largest contributor to government revenue last year was responsible for a total collection of $77,000,000, an increase of $4,553,000 over the previous year.

Excise duties, imposed chiefly on liquors and tobacco, yielded $44,410,000, exceeding the collections of 1934-35 by $1,220,000, notwithstanding the substantial reduction made last year in the duty on liquors.

The yields from our other major types of taxation were lower last year than in the preceding fiscal year. The total revenue from customs import duties amounted to $74,000,000 as compared with $76,562,000 collected in 1934-35. A substantial increase in customs revenue had been budgeted for by my predecessor, because of an expected increase in the volume of imports. While the anticipated rise in imports, materialized, the increase was almost wholly in the non-dutiable items. The volume of dutiable imports increased only three per cent and the duties collected actually decreased, largely because of a decline in raw sugar imports and a shift of such imports from foreign countries to countries enjoying the British preferential tariff rates, and because of the reductions made in the duties on liquor last year.

Special excise taxes produced a total revenue of $35,700,000. This represents a decrease of $4,045,000, which is accounted for chiefly by the changes made last year under which the excise tax on beer was reimposed in the form of an excise duty on malt and by the elimination last year of the remaining half of the special three per cent tax on imports entitled to entry under the British preferential tariff or under trade agreements between Canada and other British countries.

Non-tax revenues, that is, the revenues derived from various departmental services of government, aggregated $54,492,000, an increase of $461,000 over the previous year. The main items under this heading are interest on investments which amounted to $10,600,000, and Post Office revenues which totalled $32,507,000, or nearly $1,260,000 in excess of the previous year. The so-called surplus on Post Office operations approximated $900,000. It must be remembered, of course, that the Post Office accounts do not include the rental value and other costs of premises occupied and equipment used, nor, on the other hand, do they include any credit to the Post Office for services rendered to other departments through the free use of the mails.

Special receipts during the last fiscal year amounted to only $320,000. This compares with $3,397,000 received in 1934-35 when the custodian of enemy property made a special transfer of $3,000,000 to the consolidated revenue fund.

### EXPENDITURES 1935-36

While, as already indicated, I wish to draw special attention to the aggregate expenditure for which the government is responsible both on its own and on railway account, it will facilitate comparison with previous years if comment is first made on the various classes of expenditures which have traditionally been shown in the public accounts.

### ORDINARY EXPENDITURES

The ordinary expenditures for the year have aggregated $373,987,000. This is $14,287,000 in excess of the expenditures for 1934-35. Nevertheless it is $16,000,000 lower than the total of the amounts authorized by vote and statute. This substantial reduction below the appropriations is accounted for, in part at least, by the measures taken by the present government when it came into office last October. One of its first acts was to initiate a careful examination of the trend of revenues and expenditures and an analysis of the financial commitments which had been made. The results of such examination were such as to lead to an immediate direction to all departments to effect every possible economy in ordinary and special expenditures and to defer any undertakings which could not be clearly justified on grounds of necessity or of substantial assistance in providing employment. Had such action not been taken, expenditures for the year would have been much higher than they actually were.

Some of the increase in ordinary expenditures last year was due to special causes, for instance the expenses involved in holding a national election. I suppose some of us think that expense was justified. Others may quarrel with it. The cost of old age pensions increased $1,818,000 and there were additional special grants to provinces amounting to $2,375,000.

Of special interest was the decrease of $3,983,000 in interest on the public debt, reflecting the economies resulting from conversion of outstanding securities into obligations bearing a lower interest rate, and the lower cost of treasury bills. Our interest burden last year was $134,550,000, which was lower than in any years since 1931-32. Nevertheless, it used up 36·2 per cent of our total revenue.

### CAPITAL EXPENDITURES

Total expenditures charged to capital account amounted to $6,576,000, a decrease of $451,000 from the previous year. The chief item was $5,361,000 for dredging the river St. Lawrence ship channel.

### SPECIAL EXPENDITURES

We come now to that important group of items which are classified as special expenditures. Some of the items so classified in previous budgets cannot be regarded as special in any real sense of the term and they are now included in ordinary expenditures. These items include $3,575,000 cost of loan flotations, representing flotation costs of new loans and annual charges for amortisation of bond discount; $1,875,000 government contribution to superannuation fund; $272,000 payment to maintain reserve in government annuities fund; and $128,000 representing expenditure made under the Railway Grade Crossing Act. In the tables showing expenditures for the past five years the necessary adjustments have been made in order to place the group totals for the various years on a comparable basis.

The importance of this category of special expenditures is indicated by the total expenditure of $102,777,000 which is $41,640,000 in excess of the preceding year and much higher than in any previous year.

Of this total $49,469,000 represents payments for unemployment relief purposes. This includes not only the cost of direct relief and provincial grants in aid, but also the maintenance of the relief camps, the care of single homeless unemployed persons, land settlement relief, special assistance to the Saskatchewan drought area and public works and undertakings carried out under authority of relief legislation. The following table

compares the expenditures made for these various purposes during 1935-36 with the similar expenditures in the preceding fiscal year:

Unemployment Relief Expenditures

| — | 1934-35 | Estimated 1935-36 |
|---|---|---|
| Direct relief | $19,211,557 | $ 262,388 |
| Grants in aid (from August 1, 1934) | 14,024,000 | 26,274,875 |
| Public works and other projects | 4,493,432 | 9,831,375 |
| Land settlement relief | 277,973 | 176,000 |
| Relief camps—Department of National Defence | 7,648,371 | 8,212,000 |
| Care of single homeless unemployed persons | 629,611 | 219,000 |
| Department of the Interior, relief including works in national parks | 515,911 | 180,000 |
| Saskatchewan drought area relief | 5,000,000 | 4,000,000 |
| Miscellaneous, including administration | 186,452 | 313,362 |
| | $51,987,307 | $49,469,000 |

It will be noted that as in the previous year, special assistance was given to the province of Saskatchewan for relief in the drought area of the province. This form of relief was by way of accountable advances totalling $4,000,000. During the fiscal year 1934-35, the sum of $5,000,000 was advanced for the same purpose and the total of $9,000,000 was intended to cover the dominion's obligation for the provincial relief year extending from September 1, 1934, to August 31, 1935. It is estimated that when all the accounts are received from the province the total of $9,000,000 will not be sufficient to take care of the dominion's obligation. Any excess will be applied in reduction of a loan made to Saskatchewan for that specific purpose. This excess, not yet determined, has not been included in the statement of expenditures.

When the present government took office on October 23 last, we found that through agreements with provincial governments certain commitments had been made for the year ending March 31, 1936. These commitments have of course been met and, in addition, as an emergency measure, the monthly grants in aid to provinces for direct relief were increased by seventy-five per cent for the four winter months of December, January, February and March for the purpose of enabling the provinces to grant greater assistance to their municipalities.

Another item under special expenditures which might well have been included in the cost of unemployment relief relates to expenditures made pursuant to the Public Works Construction Act, 1934, and the Supplementary Public Works Construction Act, 1935. Expenditures under these two acts during the last fiscal year aggregated $30,232,000 as compared with $8,673,000 in 1934-35. As at March 31, 1936, there remained unexpended $18,726,000 of the amounts authorized by these acts. Uncompleted projects and other projects authorized by these enactments which the government believes it advisable to proceed with have been provided for in the new fiscal year by the special supplementary estimates recently brought down in this house.

Included in the special expenditure for last year are three items representing losses incurred as a result of the wheat policy in effect during the past five years. The payment of $6,600,000 to primary producers of wheat who delivered wheat during the crop year 1930 has been amply debated in this house. The item of $15,856,645 represents the debit balance in the bank account of Canadian Cooperative Wheat Producers Limited as of December 2, 1935, which was assumed by the Canadian Wheat Board as a result of the transfer to it as of that date of the wheat and wheat contracts held by Canadian Cooperative Wheat Producers Limited in connection with the 1930 wheat pool account and stabilization account. As advances by the chartered banks to Canadian Cooperative Wheat Producers Limited were guaranteed by the dominion government, further supplementary estimates for 1935-36 will authorize payment to the Canadian Wheat Board of the amount of this liability assumed by it.

The operations of the Canadian Cooperative Wheat Producers Limited, in connection with oats of the 1930 crop resulted in a loss of $170,130 as at December 2, 1935, and under the terms of the government guarantee this amount with accrued interest to the date of payment will be paid to liquidate the bank liability.

Unfortunately, these three items totalling $22,630,000 may not represent the total cost of governmental wheat marketing operations. To them will have to be added any further losses that may result before the wheat and wheat contracts resulting from the 1930 pool and stabilization operations have been finally disposed of, and also any losses which the

Canadian Wheat Board may incur in marketing wheat of the 1935 crop for which a minimum price to primary producers of eighty-seven and one-half cents per bushel, basis No. 1 northern, Fort William, was fixed last September. Whether such losses will accrue and what their magnitude will be will depend on the prospective harvests in wheat producing countries of the world, on the demand of importing countries, and on the trend of wheat prices. These factors it is of course impossible to forecast. It may be emphasized, however, that the government does not believe itself warranted in assuming responsibility for holding such colossal quantities of wheat as have been held during the last few years. Without resort to dumping, its policy will be to market surplus wheat in an orderly manner as rapidly as world conditions will permit, with due regard to the progress of the next Canadian crop, and at the same time endeavouring to restore and expand in every possible way the demand for Canadian wheat and wheat products in world markets.

The remaining items under the caption of Special Expenditures are of minor importance.

Another important class of expenditures for which the government is responsible may be considered under the caption, "Government-owned Enterprises." This new category appears to be a convenient one in which to group together any losses of, or non-active advances to, government-owned enterprises which are operated as separate corporations. It will include the net income deficit of the Canadian National Railways, and any operating deficits of the Canadian National Steamships or of any harbours previously operated by harbour commissions but in future to be administered by the National Harbours Board, as well as any non-active advances to such enterprises. Non-active advances do not earn interest and are treated in the government accounts as expenditures.

### CANADIAN NATIONAL RAILWAY COMPANY

Further improvement in operating revenues of the Canadian National Railway Company took place in 1935. The gain amounted to $8,200,000, or 5 per cent. Operating expenses were higher than in 1934, one of the important factors being the increase in wages brought about by the removal of a part of the payroll deduction. After providing for operating expenses and other charges such as taxes, rentals, etc., the company's accounts showed a net amount of $6,800,000 available for interest on debt. This result was not as satisfactory as in the previous year, when the amount available for this purpose was $7,400,000. After applying the sum of $6,800,000 available from earnings against interest charges of $54,200,000, there resulted a cash deficit of $47,400,000. This amount has been paid by the dominion and charged in our accounts as an expenditure for the year and compares with $48,400,000 in 1934, the improvement of nearly one million dollars being entirely accounted for by savings made in interest charges through refunding of securities.

It should be borne in mind that there are certain charges in the accounts of the railways not involving cash which should be taken into account in reconciling the above-mentioned figure of cash deficit with the net loss for the year as shown by the annual report of the railway company.

In addition to the provision for deficits, the government advanced $7,574,000 to the Canadian National Railways in the fiscal year period for capital expenditures and retirement of debt. This amount is shown in the public accounts under Loans and Investments. The figure is made up as follows: capital expenditures under the 1935 budget, $687,000; purchase of and repairs to equipment under the Supplementary Public Works Construction Act, $5,068,000; retirement of debt (net), $1,819,000.

Important refunding operations in connection with the long-term funded debt of the railway company took place during the year. Four issues of bonds aggregating $108,519,000 were called for redemption prior to their maturity dates and were replaced by securities bearing lower rates of interest. These issues were:

$35,000,000 4½% bonds due December 1, 1968;

$26,000,000 4½% bonds due September 15, 1954;

$23,740,000 7% bonds due October 1, 1940;

$23,779,000 7% bonds due December 1, 1940.

In addition, temporary loans obtained in connection with the maturity of $17,000,000 4½ per cent bonds on February 15, 1935, were funded. This made a total of securities included in the refunding operations of $125,519,000. Provision for this amount, together with premiums payable upon call of the bonds and discounts on the new issues, was made by the sale of railway company securities guaranteed by the dominion to the principal amount of $128,400,000 and a temporary loan of $2,043,000 from the dominion treasury. The details of the new issues and the interest cost to the company, are shown in the following statement:

Canadian National Railway Company
Guaranteed Bonds issued for Refunding, 1935-36

| Issue date | Maturity date | Interest rate | Cost to company | Amount |
|---|---|---|---|---|
| May 1, 1935 | May 1, 1938 | 2% | 2.35% | $13,400,000 |
| | May 1, 1944 | 3% | 3.29% | 35,000,000 |
| February 15, 1936 | February 15, 1943 | 2% | 2.31% | 55,000,000 |
| | February 15, 1953 | 3% | 3.25% | 25,000,000 |

The annual saving to the company, after providing for the amortization of the premiums paid upon the called bonds, will be approximately $3,000,000 a year as a result of this refunding. All of the redeemed bonds were payable, either optionally or solely outside of Canada, and the new issues are payable in Canada only. In connection with the redemption of the three issues in September, October and December last, the necessary funds were first obtained by the sale in New York of direct obligations of the dominion and later the company recouped the dominion from the proceeds of the sale of its securities in Canada.

On March 31, 1936, the amount of the debt of the Canadian National railway system outstanding in the hands of the public was $1,217,000,000, having been reduced by $21,000,000 in the past year. Of the amount outstanding, $964,000,000 are obligations guaranteed by the dominion.

CANADIAN NATIONAL STEAMSHIPS

Proceeding further to deal with the provision which it has been necessary to make for government-owned enterprises, it is satisfactory to report that the operations of the Canadian National Steamships showed a considerable improvement over the previous year. The cash loss on the West Indies service was $270,000, as compared with $567,000 in 1934. The Canadian Government Merchant Marine had operating earnings of $312,000, as compared with a deficit of $127,000 in 1934. An amount of $179,000 was advanced for capital expenditures on the West Indies fleet, but this expenditure was more than offset by the return to the government of a further $200,000 advanced in previous years to the merchant marine for working capital. Taking into consideration all these transactions, there was a credit of $63,000 on account of steamship services.

HARBOUR COMMISSIONS

Assistance to harbour commissions appearing in our expenditure accounts amounted to $3,600,000. This amount is made up of $1,139,000 paid to liquidate bank loans obtained for operating deficits in Quebec, Chicoutimi and Halifax, and represents losses incurred not only in 1935 but also in previous years. The balance is comprised of advances (non-active) of $482,000 for deficit on the Jacques Cartier bridge, Montreal, and $1,979,000 for expenditures in the harbours of Saint John, Halifax, Three Rivers and Quebec.

To sum up, the total amount treated as expenditures in our accounts in connection with the operation of the railways and other government owned interprises, was $50,958,000, as compared with $50,148,000 in the previous year. This is exclusive of the amounts carried as investments to which reference will be made later.

SUMMARY OF EXPENDITURES

Adding together ordinary, capital and special expenditures, as well as losses of and non-active advances to government owned enterprises we find that the grand total of expenditures for which the government was responsible was $534,291,000. This is an increase of $56,286,000 during the last fiscal year as compared with 1934-35 and of $2,527,000 as compared with 1932-33, the worst year of the depression. The increase over the previous year, it will be remembered, is more than fully accounted for by the rise of $14,287,000 in ordinary expenditures, the $21,559,000 increase in expenditure under the Public Works Construction Acts and the $22,630,000 payments made and losses taken in respect of wheat and oats.

I direct attention to the fact that in the last fiscal year nearly 62 per cent of the dominion's revenues were required to meet fixed and uncontrollable expenditures, such as interest; war and old age pensions and superannuation; care of returned soldiers; subsidies to provinces and certain other outlay of this nature. In the year 1913-14, the last fiscal year prior to the war, only 19 per cent of the revenues were allotted to items generally regarded as uncontrollable, and even in 1929-30, when the effect of the war cost had been shown in our expenditures, the proportion was but 44 per cent, as compared with 62 per cent last year. Although it is not possible at this date, except by certain arbitrary assumptions, to make exact calcula-

tions, nevertheless it is obvious from an examination of the expenditure statements that the burden of the war cost, both direct and indirect, is even to-day a major factor in our budgetary situation.

A statement showing the proportion of the revenues required for fixed and uncontrollable expenditures in the years 1913-14, 1929-30 and 1935-36, follows:

Proportion of Dominion Revenues Required for Certain Uncontrollable Expenditures

| — | 1913–14 | 1929–30 | 1935–36 |
|---|---|---|---|
| | % | % | % |
| Interest on debt | 8.61 | 27.54 | 36.19 |
| European war pensions | .... | 8.86 | 11.19 |
| Old age pensions | .... | .35 | 4.51 |
| Other pensions and superannuation | .51 | 1.01 | 1.22 |
| Care of returned soldiers | .... | 1.93 | 2.90 |
| Subsidies to provinces | 7.53 | 2.83 | 3.70 |
| Other items | 2.07 | 1.22 | 2.25 |
| | 18.72 | 43.74 | 61.96 |

### DEFICIT 1935-36

Taking the total revenues for the year at $372,100,000 and the total expenditures at $534,291,000, there is an over-all deficit for the last fiscal year of no less than $162,191,000.

This, of course, takes into account the railway deficit as well as all direct governmental expenditures and makes allowance for special receipts. It compares with a total deficit in the previous year of $116,134,000. It represents the gap between total income and total outgo which must be bridged. I shall have some comments to make on this deficit at a later stage.

### LOANS AND INVESTMENTS

In addition to provision for the expenditures of the year as already outlined, loans and investments to the amount of $60,400,000 were made.

### LOANS TO PROVINCES

The most important of these were loans to the four western provinces aggregating $42,300,000, under authority of the relief acts. The net amount loaned was very much greater than in any previous year due chiefly to large loans to the provinces of Alberta and British Columbia to meet maturing obligations. For this purpose $5,400,000 was advanced to Alberta and $5,900,000 to British Columbia. Loans were also granted for the financing of relief expenditures including public works and agricultural relief and for seed grain and seeding operations. The amount of loans to each province, classified as to purpose, are shown on the following statement:

Loans to Provinces under Relief Acts, Fiscal Year 1935-36

| Purpose | Manitoba | Saskatchewan | Alberta | British Columbia | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| For provincial purposes including public works, direct relief and agricultural relief | 4,183,655[1] | 8,146,044 | 7,232,000[2] | 6,195,000 | 25,756,699 |
| To meet maturing obligations | ..... | ..... | 5,435,000 | 5,971,000 | 11,406,000 |
| For re-loan to municipalities | 537,000 | 145,000 | 450,000 | 400,000 | 1,532,000 |
| For seed grain and seeding operations | ..... | 6,000,000 | ..... | ..... | 6,000,000 |
| | 4,720,655 | 14,291,044 | 13,117,000 | 12,566,000 | 44,694,699 |
| Less cash re-payments and credits applied | 2,324,429 | 45,565 | 13,000 | 7,555 | 2,390,549 |
| Net loans during 1935-36 | 2,396,226 | 14,245,479 | 13,104,000 | 12,558,445 | 42,304,150 |

[1]Includes $408,155 for drought area relief including seed grain.
[2]Includes $1,050,000 for agricultural relief including seed grain.

The amount due by the provinces at the beginning of the fiscal year was $74,200,000. With the addition of the loans made during the year, the total of dominion assistance by way of loan to the four western provinces under the relief acts, now stands at $116,500,000. The dominion holds one-year treasury bills of the provinces bearing interest at the rate of 4½ per cent to July 1, 1935, and 4 per cent thereafter, in respect of these loans. The provinces of Manitoba, Alberta and British Columbia have paid

the interest in cash as it became due, but the province of Saskatchewan, being unable to meet all of such payments, has covered the interest accruals on the major portion of its outstanding loans by tendering treasury bills to the dominion. A statement of the loans to date by provinces, showing generally the purpose for which they were granted, follows:

Loans to Provinces under Relief Acts

Net Amount outstanding at March 31, 1936

| — | Loans specifically to meet maturing obligations and interest | Loans specifically for agricultural relief including purchase of seed grain | Loans for provincial purposes generally including public works and direct relief | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Manitoba | 1,139,455 | 244,400 | 14,121,000 | 15,504,855 |
| Saskatchewan | 3,934,341 | 13,892,633 | 30,541,655 | 48,368,629 |
| Alberta | 8,577,000 | 3,322,000 | 13,182,000 | 25,081,000 |
| British Columbia | 11,262,109 | ..... | 16,310,571 | 27,572,680 |
| | 24,912,905 | 17,459,033 | 74,155,226 | 116,527,164 |

OTHER LOANS AND INVESTMENTS

Loans to the Canadian National Railway Company for capital expenditures and retirement of debt, as already referred to, amounted to $7,574,000. Purchases of equipment for the Canadian Pacific Railway Company and loans to that company for equipment repairs —all as provided under the Supplementary Public Works Construction Act—amounted to $4,629,000. Agreements between the government and the company provide for the payment of interest and repayment of the principal by instalments over a period of years.

The government's investment in the Canadian Farm Loan Board was increased in the year by $7,933,000. Of this amount, $175,000 was for the purchase of capital stock of the board, $7,550,000 for purchase of bonds, and $208,000 for the purchase from various provinces of capital stock subscribed by them during the period in which the provinces participated in the farm loan scheme. The total investment of the government in the board now amounts to $16,790,000. While the board operated at a loss during the fiscal year, provision therefor will be made from the reserves set aside in previous years. Bonds of the board are now being purchased on a 3½ per cent basis.

Under investments there are also included $1,439,000 advanced during the year to the harbour commissions at Montreal and Vancouver. These loans are carried as active assets as both these commissions have paid a substantial proportion of the interest charged on their indebtedness.

During the year, repayments totalling three and a half millions were received in reduction of soldier settlement loans and loans to provinces for housing.

The following statement shows the amount of loans and investments (active assets) during the last fiscal year, with comparisons for the four previous years:

Loans and Investments Active

(000 omitted)

| — | 1931-32 | 1932-33 | 1933-34 | 1934-35 | Estimated 1935-36 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Provinces—under relief legislation | 22,634 | 15,565 | 13,115 | 22,909 | 42,304 |
| Canadian Farm Loan Board | 1,608 | 871 | 416 | 353 | 7,933 |
| Canadian National Railway | 41,121 | 14,677 | 2,628 | 16,579 | 7,574 |
| Canadian Pacific Railway | ..... | ..... | ..... | ..... | 4,629 |
| Harbour Commissioners | 12,138 | 650 | 1,677 | 393 | 1,439 |
| Soldier land settlement | 483 Cr. | 92 Cr. | 2,492 Cr. | 571 Cr. | 555 Cr. |
| Provinces—housing | 150 Cr. | 139 Cr. | 213 Cr. | 397 Cr. | 3,003 Cr. |
| Other | 115 Cr. | 469 | ..... | ..... | 82 |
| | 76,753 | 32,001 | 15,131 | 39,266 | 60,403 |

LOAN FLOTATIONS

New issues of dominion obligations during the year totalled $500,000,000, exclusive of temporary financing in connection with which repayment was made before the close of the fiscal period. These issues, to the extent of $297,000,000, were for the purpose of refunding maturing obligations. The balance of $203,000,000, representing the net increase in funded debt and treasury bills during the year, was issued for deficit and other current purposes. This large amount of financing was successfully carried out at lower rates of interest both for short and long term issues than ever before. At the close of the fiscal year the average rate of interest on the outstanding funded debt and treasury bills, was 3·9 per cent as compared with a corresponding figure of 4·15 per cent a year ago.

Three issues amounting in the aggregate to $164,000,000 were made in the United States for refunding purposes, including redemption of Canadian National Railway bonds already referred to. These were the first public flotations by the dominion government in that market for several years and necessitated registration under the United States Securities Act. The interest cost to the government was 2·09 per cent for three-year notes, 2·96 per cent for ten-year and 3·63 per cent for twenty-five year bonds.

The issues in Canada, exclusive of treasury bills, totalled $303,000,000. The sale of $135,000,000 of one-year and three-year notes was made to Canadian chartered banks in September last, mainly to meet maturing short term obligations held in large part by those institutions. Two public offerings were made, one dated June 1 for $60,000,000 and one dated November 15 for $75,000,000. The interest cost to the government ranged from 1·90 per cent for one-year notes to 3·10 per cent on twenty-year bonds.

The $33,293,000 of 5 per cent school lands debenture stock held by the prairie provinces were again renewed for one year at the same rate of interest.

The policy of selling three-months treasury bills in the Canadian market was continued during the year, and the amount of issues outstanding was increased by $33,300,000. The rate of discount on these bills dropped from 1·698 per cent on April 15, 1935, to ·999 on March 16, 1936. Since that date, further issues have been made, the record low cost of ·879 per cent being obtained on April 15.

I now place on Hansard a statement giving the essential details of the new issues made during the year:

Loan flotations 1935-1936

| Issue date | Maturity date | Interest rate | Where payable | Price | Cost to Govt. | Amount Issued |
|---|---|---|---|---|---|---|
| | | per cent | | | per cent | |
| 1935— | | | | | | |
| June 1 | June 1/43 | 2½ | Canada | 99·50 | 2·57 | 20,000,000 |
| June 1 | June 1/55 | 3 | Canada | 98·50 | 3·10 | 40,000,000 |
| July 1 | July 1/36 | 5 | Canada (School Lands) | 100·00 | 5·00 | 33,293,471 |
| Aug. 15 | Aug. 15/45 | 2½ | New York | 96·00 | 2·96 | 76,000,000 |
| Sept. 15 | Sept. 15/36 | 1½ | Canada | 99·61 | 1·90 | 45,000,000 |
| Oct. 15 | Oct. 15/38 | 2 | Canada | 99·2175 | 2·275 | 90,000,000 |
| Nov. 15 | Nov. 15/39 | 2 | Canada | 99·43 | 2·15 | 20,000,000 |
| Nov. 15 | June 1/55 | 3 | Canada | 98·75 | 3·08 | 55,000,000 |
| 1936— | | | | | | |
| Jan. 1 | Jan. 1/39 | 2 | New York | 99·75 | 2·09 | 40,000,000 |
| Jan. 15 | Jan. 15/61 | 3¼ | New York | 93·86 | 3·63 | 48,000,000 |
| | | | | | | 467,293,471 |
| Increase in short term treasury bills outstanding March 31, 1936, over March 31, 1935 | | | | | | 33,300,000 |
| | | | | | | $500,593,471 |

The following is a statement of the unmatured funded debt and treasury bills of the dominion outstanding at March 31, 1936, showing also the annual interest charges thereon:

Unmatured Funded Debt and Treasury Bills, as at March 31, 1936, and Annual Interest Charges

| Date of Maturity | Rate per cent | Where Payable | Amount of Loan | Annual Interest Charges |
|---|---|---|---|---|
| | | | $ cts. | $ cts |
| 1936 July 1 | 5 | Canada | 33,293,470 85 | 1,664,673 54 |
| Sept. 15 | 1½ | Canada | 45,000,000 00 | 675,000 00 |
| Oct. 15 | 2 | Canada | 63,336,000 00 | 1,266,720 00 |
| Nov. 15 | 5 | Canada | 79,535,200 00 | 3,976,760 00 |
| 1937 Mar. 1 (a) | 5 | Canada and New York | 89,787,000 00 | 4,489,350 00 |
| Dec. 1 (a) | 5½ | Canada | 236,299,800 00 | 12,996,489 00 |
| 1938 July 1 | 3 | London | 8,071,230 16 | 242,136 90 |
| July 1 | 3 | London | 18,250,000 00 | 547,500 00 |
| July 1 | 3 | London | 10,950,000 00 | 328,500 00 |
| July 1 | 3½ | London | 15,056,006 66 | 526,960 23 |
| Oct. 15 | 2 | Canada | 90,000,000 00 | 1,800,000 00 |
| 1939 Jan. 1 | 2 | New York | 40,000,000 00 | 800,000 00 |
| Oct. 15 | 4 | Canada | 47,269,500 00 | 1,890,780 00 |
| Oct 15 | 2½ | Canada | 7,933,000 00 | 198,325 00 |
| Nov. 15 | 2 | Canada | 20,000,000 00 | 400,000 00 |
| 1940 Mar. 1 | 3 | Canada | 115,013,636 82 | 3,450,409 10 |
| Sept. 1 | 4½ | Canada | 75,000,000 00 | 3,375,000 00 |
| 1941 Nov. 15 | 5 | Canada | 141,663,000 00 | 7,083,150 00 |
| 1942 Oct. 15 | 3 | Canada | 40,409,000 00 | 1,212,270 00 |
| 1943 June 1 | 2½ | Canada | 20,000,000 00 | 500,000 00 |
| Oct. 15 | 5 | Canada | 147,000,100 00 | 7,350,005 00 |
| 1944 Oct. 15 | 4½ | Canada | 50,000,000 00 | 2,250,000 00 |
| 1945 Aug. 15 | 2½ | New York | 76,000,000 00 | 1,900,000 00 |
| Oct. 15 | 4 | Canada | 88,337,500 00 | 3,533,500 00 |
| 1946 Feb. 1 | 4½ | Canada | 45,000,000 00 | 2,025,000 00 |
| 1947 Oct. 1 | 2½ | London | 4,888,185 64 | 122,204 64 |
| 1949 Oct. 15 | 3½ | Canada | 138,322,000 00 | 4,841,270 00 |
| 1950 July 1 | 3½ | London | 137,058,841 00 | 4,797,059 43 |
| 1952 May 1 | 5 | New York | 100,000,000 00 | 5,000,000 00 |
| Oct. 15 | 4 | Canada | 56,191,000 00 | 2,247,640 00 |
| 1955 May 1 | 3¼ | London | 48,666,666 67 | 1,581,666 67 |
| June 1 | 3 | Canada | 40,000,000 00 | 1,200,000 00 |
| June 1 | 3 | Canada | 55,000,000 00 | 1,650,000 00 |
| 1956 Nov. 1 | 4½ | Canada | 43,125,700 00 | 1,940,656 50 |
| 1957 Nov. 1 | 4½ | Canada | 37,523,200 00 | 1,688,544 00 |
| 1958 Sept. 1 | 4 | London | 73,000,000 00 | 2,920,000 00 |
| Nov. 1 | 4½ | Canada | 276,687,600 00 | 12,450,942 00 |
| 1959 Nov. 1 | 4½ | Canada | 289,693,300 00 | 13,036,198 50 |
| 1960 Oct. 1 | 4 | London | 93,926,666 66 | 3,757,066 67 |
| Oct. 1 | 4 | New York | 100,000,000 00 | 4,000,000 00 |
| 1961 Jan. 15 | 3¼ | New York | 48,000,000 00 | 1,560,000 00 |
| Treasury bills due April 1, 1936, 1·19 per cent, Canada | | | 25,000,000 00 | 297,500 00 |
| Treasury bills due April 15, 1936, 1·15 per cent, Canada | | | 25,000,000 00 | 287,500 00 |
| Treasury bills due May 1, 1936, 1·09 per cent, Canada | | | 30,000,000 00 | 327,000 00 |
| Treasury bills due May 15, 1936, 1·05 per cent, Canada | | | 20,000,000 00 | 210,000 00 |
| Treasury bills due June 15, 1936, 0·999 per cent, Canada | | | 20,000,000 00 | 199,800 00 |
| | | | 3,265,287,604 46 | 128,597,577 18 |

| | | |
|---|---|---|
| Payable in Canada | $2,401,633,007 67 | 73·55% |
| Payable in Canada and New York | 89,787,000 00 | 2·75% |
| Payable in New York | 364,000,000 00 | 11·15% |
| Payable in London | 409,867,596 79 | 12·55% |
| | $3,265,287,604 46 | 100·00% |
| Less bonds and stocks of the above loans held as sinking funds | 58,168,944 35 | |
| | $3,207,118,660 11 | |

(a) Tax free in Canada.

Now with regard to our old friend the national debt.

THE NATIONAL DEBT

At March 31, 1936, the unmatured funded debt and treasury bills of the dominion outstanding, less sinking funds, amounted to $3,207,000,000. To this amount are to be added other liabilities, mainly composed of insurance and superannuation funds, post office savings deposits and certain trust and contingent accounts, amounting to $225,000,000, to arrive at the gross liabilities of $3,432,000,000. Active assets, including cash on hand and investments, amounted to $424,000,000. After deducting the latter figure from the gross liabilities, the net debt at the close of the fiscal year amounted to $3,008,000,000. When we left office in August, 1930, the net debt of the dominion stood at $2,141,000,000, the increase in the interval being $867,000,000. The total funded debt increased almost one billion dollars in the period.

I now place on Hansard a statement showing the assets and liabilities as at March 31, 1936:

Liabilities, March 31, 1936 (estimated)

| | | |
|---|---|---|
| Bank Circulation Redemption Fund | | $ 6,858,000 |
| Insurance and superannuation funds— | | |
| Government annuities | $ 66,835,000 | |
| Insurance fund, civil service | 9,990,000 | |
| Insurance fund, returned soldiers | 14,777,000 | |
| Retirement fund | 8,361,000 | |
| Superannuation funds | 51,140,000 | |
| | | 151,103,000 |
| Trusts funds— | | |
| Indian funds | 13,929,000 | |
| Common school funds | 2,676,000 | |
| Contractors' securities deposits | 1,551,000 | |
| Other trust funds | 2,870,000 | |
| | | 21,026,000 |
| Contingent and special funds | | 5,877,000 |
| Post Office money orders, postal notes, etc. outstanding | | 2,736,000 |
| Province accounts | | 9,624,000 |
| Post Office savings bank deposits | | 22,050,000 |
| Funded debt— | | |
| Unmatured | 3,207,119,000 | |
| Matured but not presented for payment | 4,228,000 | |
| | | 3,211,347,000 |
| Interest coupons matured but not presented for payment | | 2,050,000 |
| | | $3,432,671,000 |

Assets, March 31, 1936 (estimated)

| | | |
|---|---|---|
| Active assets— | | |
| Cash, working capital advances and other current assets | | $ 24,043,000 |
| Gold bullion account | | 2,287,000 |
| Loans to provinces— | | |
| Housing | $ 6,768,000 | |
| Relief Acts | 116,996,000 | |
| | | 123,764,000 |
| Loans to foreign governments— | | |
| Greece | 6,525,000 | |
| Roumania | 23,969,000 | |
| | | 30,494,000 |
| Loans to harbour commissioners— | | |
| Montreal | 59,134,000 | |
| Vancouver | 23,744,000 | |
| New Westminster | 275,000 | |
| | | 83,153,000 |
| Loans under Dominion Housing Act | | 82,000 |
| Bond holding account | | 659,000 |
| Canadian National Railways | | 41,458,000 |
| Canadian Pacific Railway | | 4,629,000 |
| Canadian Farm Loan Board | | 16,790,000 |
| Soldier and general land settlement | | 43,630,000 |
| Seed grain and relief advances | | 2,358,000 |
| Canadian government railways open and stores accounts | | 15,749,000 |
| Deferred debits— | | |
| Unamortized discount and commission on loans | | 35,284,000 |
| | | $ 424,380,000 |
| Net debt March 31, 1936 (estimated) | | 3,008,291,000 |
| Represented by— | | |
| Non-active assets, March 31, 1936 (estimated) | | |

Assets, March 31, 1936 (estimated) Concluded

| | | |
|---|---|---|
| Capital expenditures— | | |
| Public Works— | | |
| Canals | $ 242,871,000 | |
| Railways | 443,190,000 | |
| Public buildings, harbour and river improvements | 264,929,000 | |
| Military property and stores | 12,035,000 | |
| Territorial accounts | 9,896,000 | |
| | | 972,921,000 |
| Loans non-active— | | |
| Canadian National Railways | | 655,527,000 |
| Railway accounts (old) | | 88,399,000 |
| Canadian National Steamships | | 15,508,000 |
| Harbour commissioners— | | |
| Quebec | 26,293,000 | |
| Chicoutimi | 3,539,000 | |
| Halifax | 9,515,000 | |
| Saint John | 14,046,000 | |
| Three Rivers | 3,144,000 | |
| Montreal (Jacques Cartier bridge) | 2,504,000 | |
| | | 59,041,000 |
| Seed grain and relief advances | | 536,000 |
| Soldier and general land settlement | | 16,514,000 |
| Miscellaneous advances | | 3,525,000 |
| Consolidated fund— | | |
| Balance, consolidated fund, brought forward from March 31, 1935 | 1,042,806,000 | |
| Excess of expenditure over revenue, fiscal year ended March 31, 1936 (estimated) | 153,514,000 | |
| | | 1,196,320,000 |
| | | $3,008,291,000 |

INDIRECT LIABILITIES

Bonds and debenture stocks bearing the guarantee of the dominion outstanding in the hands of the public at the close of the fiscal year amounted to $994,600,000. The increase during the year was $7,300,000, accounted for by changes in Canadian National Railway issues, including the funding of a temporary loan from the government outstanding a year ago.

Other contingent liabilities are those arising out of guarantees given pursuant to the relief and other acts. During the year the government gave guarantees under authority of the Canadian Wheat Board Act. The amount of these guarantees at March 31, 1936, was about $58,000,000.

The guarantee of bank loans to the Canadian Pacific Railway Company, the original amount of which was $60,000,000, was further reduced during the fiscal year by $12,000,000, the indebtedness at March 31 being $36,000,000. The government is advised that the company has made arrangements to liquidate the balance of the loans on May 1 and the dominion will be relieved of its liability without loss.

The guarantee arising out of the assumption by the chartered banks of the liability of the Province of Manitoba Savings Office was further reduced during the year by $1,500,000.

The amounts of the bonds and debenture stocks and other indebtedness guaranteed by the dominion are shown in the following statement:

Bonds and Debenture Stocks Guaranteed by Dominion Government

As at March 31, 1936

| Date of maturity | Issue | Interest rate | Amount outstanding |
|---|---|---|---|
| | | per cent | $ cts. |
| Sept. 1, 1936 | Grand Trunk | 6 | 24,220,000 00 |
| May 1, 1938 | Canadian National | 2 | 13,400,000 00 |
| Feb. 15, 1943 | Canadian National | 2 | 55,000,000 00 |
| May 1, 1944 | Canadian National | 3 | 35,000,000 00 |
| July 1, 1946 | Canadian Northern | 6½ | 24,238,000 00 |
| April 1, 1948 | New Westminster Harbour Commission | 4¾ | 700,000 00 |
| Dec. 15, 1950 | Canadian National | 3 | 20,500,000 00 |
| Sept. 1, 1951 | Canadian National | 4½ | 50,000,000 00 |
| Aug. 1, 1952 | Saint John Harbour Commission | 5 | 667,953 04 |
| Feb. 15, 1953 | Canadian National | 3 | 25,000,000 00 |
| July 10, 1953 | Canadian Northern | 3 | 9,359,996 72 |
| Feb. 1, 1954 | Canadian National | 5 | 50,000,000 00 |
| Mar. 1, 1955 | Canadian National (West Indies) Steamships | 5 | 9,400,000 00 |
| June 15, 1955 | Canadian National | 4¾ | 50,000,000 00 |
| Feb. 1, 1956 | Canadian National | 4½ | 70,000,000 00 |
| July 1, 1957 | Canadian National | 4½ | 65,000,000 00 |
| July 20, 1958 | Canadian Northern | 3½ | 7,896,548 57 |
| May 4, 1960 | Canadian Northern Alberta | 3½ | 3,149,998 66 |
| May 19, 1961 | Canadian Northern Ontario | 3½ | 34,229,996 87 |
| Jan. 1, 1962 | Grand Trunk Pacific | 3 | 34,992,000 00 |
| Jan. 1, 1962 | Grand Trunk Pacific | 4 | 8,440,848 00 |
| July 1, 1969 | Canadian National | 5 | 60,000,000 00 |
| Oct. 1, 1969 | Canadian National | 5 | 60,000,000 00 |
| Nov. 1, 1969 | Harbour Commissioners of Montreal | 5 | 19,000,000 00 |
| Feb. 1, 1970 | Canadian National | 5 | 18,000,000 00 |
| By tenders or drawings | Canadian National | 2 | 25,189,243 73 |
| Various dates, 1936-54 | City of Saint John debentures, assumed by Saint John Harbour Commission | Various | 1,208,527 74 |
| Serial, Feb. 1 and Aug. 1, 1936-1938 | Canadian National eqpt. "G" | 5 | 3,750,000 00 |
| Perpetual | Grand Trunk guaranteed stock | 4 | 60,833,333 33 |
| " | Grand Trunk debenture stock | 5 | 20,782,491 67 |
| " | Great Western debenture stock | 5 | 13,252,322 67 |
| " | Grand Trunk debenture stock | 4 | 119,839,014 33 |
| " | Northern Railway of Canada debenture stock | 4 | 1,499,979 67 |
| | | | $994,550,255 00 |

Other Indebtedness Guaranteed

| | Estimated principal amount outstanding March 31, 1936 |
|---|---|
| Bank advances, re Province of Manitoba Savings Office | $ 7,305,541 |
| Bank advances, re government of Newfoundland | 625,000 |
| Bank advances, re Canadian Pacific Railway Company | 36,000,000 |
| Bank advances, re Dominion Steel and Coal Corporation (order for rails) | 217,134 |
| Province of British Columbia treasury bills | 626,533 |
| Province of Manitoba treasury bills | 5,894,127 |
| Bank advances, re Canadian Cooperative Wheat Producers Ltd | 370,000 |
| Bank advances and other liabilities, Canadian Wheat Board | 58,260,000 |
| Reserve of chartered banks on deposit in Bank of Canada | 188,202,917 |

BUDGET FORECAST 1936-37

I have already announced that the overall deficit for the last fiscal year is estimated at $162,191,000. The size of that deficit cannot fail to have impressed the house. Its seriousness is enhanced by the fact that it is but the latest in a series of deficits which have averaged over $138,000,000 per year during the past six depression years. The magnitude of these deficits, and particularly of the latest one, is such that in my opinion few honourable members will be disposed to question the declared purpose of the government to end in the shortest practicable time the era of recurring deficits. That purpose the government intends to pursue steadily as an

essential condition of the restoration of business confidence and the free functioning of private enterprise. This, it is believed, will contribute more effectively to the solution of the problems of unemployment and depression than any other single thing which governments can do.

I am not an alarmist. On the contrary, I am confident that common sense and sound economic policies can solve our immediate problems. Moreover I am convinced that this country can bear all the burdens which the war and the depression and past mistakes have saddled upon it, great as they have been. Nevertheless I believe that no country can go on indefinitely with heavily unbalanced budgets and continue to maintain either the confidence of investors or the basis upon which her economy can function healthily and vigorously. We have now reached the stage where delay should no longer be tolerated. We must make an immediate approach to a balanced budget and we must be able to show that complete equilibrium can be reached within a reasonable time.

I am well aware that this will be called a doctrine of deflation. Indeed, I have heard it said recently that Canada has been following a policy of "heroic deflation" and that she should take a leaf out of the book of the mother country. It is not easy for me to understand how departure from the gold standard, recurring deficits, financing by borrowing, of the magnitude of those which I have outlined, and a monetary policy which has allowed the Canadian dollar to fluctuate approximately at par with the managed sterling standard and with the devalued United States dollar and which has made possible an expansion of the country's cash base just as rapidly as that of Great Britain, can be described as deflation. More careful analysis would rather appear to indicate that in these financial matters about the only point in the British program which we have not already adopted is her policy of keeping the budget balanced. That, as everyone knows, was regarded by Great Britain as the very cornerstone of the recovery program. So much so that the latest British budget imposes substantial increases in a tax structure of already harassing proportions in order to provide funds for increased expenditures considered necessary for purposes of national defence.

In my opinion it is not feasible for us to achieve a complete balancing of our budget immediately. That I am bound to admit would involve deflation and to a degree that would probably prove intolerable. What we can and must do is to make an immediate, appreciable approach to a balanced budget as the first step in a definite, positive program which will assure the attaining of our final objective within a limited period. I shall now outline the measures which we propose to take and indicate the considerations which have influenced us in each case.

On the expenditure side our first step has been to put an end to the era of "blank cheques" and to reestablish the control of parliament over both the character and the amount of government expenditures. Before the house rises a complete presentation will have been made of the amounts which the executive branch of government believes it will be necessary to spend during the year and these amounts will have been duly authorized by parliament. The main estimates for 1936-37 which were brought down some time ago were designed to cover the ordinary operations of government. Unquestionably they should be, and they will be, more than amply provided for by ordinary revenues. The special supplementary estimates, recently tabled, were intended to make provision for those special or emergency needs, chiefly the costs of unemployment relief and the deficits of government owned enterprises, which arise out of the abnormal conditions now prevailing. Later, the usual provision may be necessary by way of further supplementary estimates for a moderate amount of additional expenditures not taken care of in the main estimates. With this procedure the public will be assured that the aggregate of those authorizations will represent at least the maximum to be expended during the present fiscal year. I am convinced that this traditional procedure will make far sounder and more economical administration.

Such savings as can be made in ordinary expenditures by more effective control on the part of spending departments and by a painstaking search for economies, elimination of waste and duplication of effort, will be effected to the maximum possible extent. It is apparent, however, that the opportunity for reductions, except by elimination of essential services is limited.

The two major obstacles to a balanced budget are the cost of unemployment relief including relief undertakings and the Canadian National Railways deficit. Canada's success in reducing these two classes of expenditure will be the measure of her progress both in achieving a balanced budget and also in furthering the march of recovery.

In so far as the Canadian National is concerned, the house is now familiar with the progress already made. As shown by the special supplementary estimates, the railway

is asking us this year for $39,900,000 on account of its net income deficit for the present calendar year. This compares with $47,400,000 in 1935 and with the depression peak of $62,100,000 in 1932. In view of the railway measures now before the house, this is not the appropriate time at which to discuss the government's railway policy. I may say, however, that we are confident that this cash deficit can be further substantially reduced as a result of the measures which will be taken to place the management of the road on a more responsible basis.

In regard to the other major cause of our deficits, the outlines of a well-knit and comprehensive program designed to meet the unemployment problem have already been presented to the house. For the first time since the depression began, a serious effort has been made to compile the statistics necessary to give us the essential factual basis for analyzing the range and specific character of the problem with which we are faced. If diagnosis should precede remedy, that step should commend itself. In the second place, we have provided for the appointment of a representative national commission which will be charged with the functions of investigating relief methods and policies now in effect of enlisting the cooperation of the provinces, the municipalities, employers and employees' organizations and other public and private agencies throughout the dominion, and of making recommendations as to the best methods of handling relief and providing remunerative employment. In other words, we are seeking to mobilize all our resources in a nation wide cooperative attack on this, the most urgent of our immediate national problems. Finally, we are providing in the special supplementary estimates for the money necessary to meet direct relief costs and to carry on a program to provide employment through constructive undertakings on a scale commensurate with our financial resources.

Knowing what our total expenditures are likely to be, we are now in a position to consider what taxation and other revenues we should budget for. On the basis of the tax and tariff rates now in effect, it is estimated that the revenues for the present fiscal year will aggregate $387,850,000 derived from the usual sources as follows:

| | |
|---|---|
| Taxation revenue: | |
| Customs duties | $ 75,000,000 |
| Excise duties | 46,000,000 |
| Income tax | 87,000,000 |
| Sales tax | 80,000,000 |
| Manufacturers', stamp, importation and other special taxes | 42,000,000 |
| Total taxation revenue | $330,000,000 |
| Non-tax revenue: | |
| Post Office | $ 33,500,000 |
| Interest on investments | 11,350,000 |
| Other sources | 13,000,000 |
| Total non-tax revenue | $ 57,850,000 |
| Grand total revenue | $387,850,000 |

As the main estimates and the special supplementary estimates call for expenditures of over $509,000,000 to which will have to be added any further supplementary estimates, it is apparent that the deficit for the year would probably total over $125,000,000 without taking into account possible losses on wheat, unless provision is made for additional revenue by way of new or increased taxes. For the reasons already given, vitally affecting, as I believe, our national welfare, I feel it necessary to budget for a deficit this fiscal year of less than $100,000,000, not taking into account any further losses resulting from wheat marketing operations which of course are unpredictable. If this can be accomplished, it will represent a definite improvement compared with the deficit of $162,000,000 for the last fiscal year.

It therefore becomes necessary to provide for additional taxation revenue in the amount of approximately twenty-eight to thirty million dollars. In imposing new tax levies, one must bear in mind the desirability of avoiding any undue retarding effect on business recovery. The information which I have given in the early part of this address indicates that the national income is surely and steadily rising. I am confident, therefore, that the amount of new taxation which we feel it necessary to impose will not have a deterrent effect on the business trend which is now definitely upward. Rather do I believe that business men and the public generally will gain new confidence from our endeavour to grapple vigorously with our problems of national finance and will be willing to cooper-

ate wholeheartedly in sharing the new burdens which are believed necessary.

It is now my task to outline the changes in our taxation and tariff structure which are proposed.

INCOME TAX

The most important change to be made under the Income Tax Act and the first proposal for raising additional revenue is an increase in the ordinary rate of tax on corporations from 13½ per cent to 15 per cent. At the same time, where returns are consolidated, the rate will be raised from 15 per cent to 17 per cent. In view of the extent to which provincial governments are now levying personal income taxes, and in view also of the surtax on investment income imposed by the dominion last year, it is not proposed to alter the existing schedule of rates on individual incomes.

My next proposal relates to the metal mining industry. The contribution which this industry has made to the economic well-being and indeed to the financial integrity of the dominion during the depression years is well known. Great as its development has already been, a much greater future appears to lie in store. In the opinion of many, we have little more than begun to tap the varied mineral wealth of this country. Moreover, the most important branch of the industry, namely, gold mining, is in the fortunate position of producing a commodity for which the demand appears to be unlimited. In other industries production cannot be speeded up without creating oversupply and breaking the market. In the case of gold, however, overproduction seems under present conditions to be impossible and the price remains fixed at least for long periods of time. On the other hand, the industry is one in which the risks are great, especially in the initial stages. Exploration and development require expenditure of large amounts of capital over a considerable period of time. Private enterprise, therefore, can only be induced to enter the field if the prizes to be gained for the relatively few successes are attractive.

Because of these special characteristics, the industry appears to offer a unique opportunity for a constructive governmental policy designed to stimulate an expansion of mining activity with its resultant effects on employment and purchases of supplies and materials. The government therefore proposes to grant exemption from corporate income tax to any metalliferous mine coming into production between May 1, 1936, and January 1, 1940, such exemption to apply to its income for the first three years following the commencement of production. This definite step to encourage the development of the mining industry combined with the additional provision for geological surveys and investigations and for transportation facilities into new mining areas made in the main and special supplementary estimates should do much to accelerate new exploration and development work during the present year and the following two or three years. I desire to add that as uncertainty of taxation is a definite deterrent to the making of new commitments in a hazardous industry, the mining industry may rely upon it that this government will not impose discriminatory taxation with respect to mines. While the present government is in power, mining enterprises can depend upon treatment at least as favourable as that accorded to other industries under the corporation income tax.

In view of the decline in interest rates, it is intended to reduce the rate of interest on unpaid instalments of income tax from 6 per cent to 5 per cent, and to lower the penalty rate of interest with respect to overdue tax from 4 per cent to 3 per cent.

The gift tax is to be altered by requiring that payment of the tax shall be made annually rather than at the time each gift is made. Furthermore, gifts up to $1,000 annually to any one person will be exempt from the provisions of the gift tax in future.

Finally, important changes are being made in the treatment of companies which have technically come to be known as "4 (k) companies"—in other words, incorporated companies "whose business is not only carried on but whose assets, also, are situate entirely outside of Canada." This category will be reserved exclusively for the type of industrial or commercial operating company for which it was originally created. A new category will be provided for investment holding companies wholly owned by non-residents, which will be required to pay a tax on their income at a rate equal to half the ordinary rate on corporate incomes. Credit on this tax will be given in respect of the 5 per cent tax paid on last year's income distributed to non-resident shareholders, but such companies will be required to pay the 5 per cent non-resident tax on income accumulated but not distributed during the period after the 5 per cent tax first went into effect and up to the coming into effect of this new tax. In future these companies will, of course, not have to pay the 5 per cent tax on dividends paid to their non-

resident shareholders but will be taxed at the higher rate on their income.

These changes in income tax, it is anticipated, will provide for an increase in revenue of approximately $6,000,000.

SALES TAX

As a means of raising a substantial amount of the additional revenue which must be obtained in the ensuing year it is proposed to increase the rate of sales tax from 6 per cent to 8 per cent. It was our view that a moderate increase in the existing sales tax which covers the broad field of merchandise transactions and for which efficient and economical machinery for collection is already in operation would be clearly preferable to singling out a few particular items to bear an unjustly heavy burden. I do not intend to impose "nuisance" taxes in an effort to raise more revenue but rather to utilize our existing taxation structure.

A few changes are to be made in the schedule of exemptions from the sales tax. With a view to simplifying administration and eliminating double taxation certain materials consumed in the process of manufacture commonly known as "consumable materials" but not including lubricating or fuel oils or plant equipment will be placed on the exempt list. Paper and ink used in magazines and periodicals will also be given exemption. The only other items to be granted relief from sales tax are crushed stone and crushed gravel used in the building or maintenance of provincial, county and township roads; liver extract for use in the treatment of anaemia; educational films; and handmade drawings, or designs for use in a number of manufacturing industries.

It is estimated that as a result of the above changes in the sales tax the revenue therefrom will be increased by approximately $23,000,000.

EXCISE TAXES

The most important changes in excise taxes arise through the recent report of the Tariff Board regarding the automobile industry. At present there is a 5 per cent and 10 per cent tax on automobiles imported or produced in Canada with exemptions given in terms of price and extent of cost of production, incurred in Canada or in British countries. Following the recommendations of the Tariff Board in connection with this item, it is proposed to replace the existing rates with a flat rate tax of 5 per cent on all automobiles, regardless of Canadian or empire content, on the value in excess of $650. At the same time, it is provided that in no case shall the tax per automobile exceed $250.

A further recommendation which is being accepted is that tires and tubes shall not be subject to excise tax when purchased by manufacturers producing less than 10,000 automobiles or chassis each year if at least 50 per cent of factory cost is incurred in the British empire. However, a manufacturer producing more than 10,000 automobiles must have incurred at least 60 per cent of factory cost in the British empire in order to qualify for this exemption.

Other changes in excise taxes levied under the Special War Revenue Act are of minor importance. It is proposed to reduce the tax on cigarette paper tubes from three cents to two cents per hundred in order to equalize the rates on flat papers and tubes. With regard to the 3 per cent special excise tax on imports, the changes contemplated are confined to a few additions to the schedule of exemptions, including materials used in the manufacture of binder twine and fishing rope, paintings under tariff item 695a; educational films; and handmade drawings or designs for use in a number of manufacturing industries.

EXCISE DUTIES

Proposed changes in the Excise Act are limited to a few relatively unimportant adjustments. The first of these equalizes the excise duty on Canadian brandy with the customs duty on brandy imported from South Africa and Australia by lowering the excise duty rate from four dollars per gallon to three dollars. The second proposed adjustment is a reduction of one dollar per gallon in the rate of excise duty on spirits used in medicines, extracts and pharmaceutical preparations in order to bring it into line with the rate applying to spirits used in the manufacture of perfumes. Finally the excise duties on imports of leaf tobacco are to be removed from the Excise Act and transferred at the same rates to the customs tariff.

CUSTOMS TARIFF

To-day's customs tariff proposals relate to both the Tariff Act and the various schedules thereto. Having in mind that they follow closely upon the tariff revision effected by the Canada-United States trade agreement and immediately precede negotiations with the United Kingdom, it will, I think, be generally admitted that they are extensive and important. For purposes of record, the proposed amendments may be classified as follows:

| | |
|---|---|
| Reductions under all tariffs | 37 |
| Reductions under British preferential tariff only | 30 |
| Reductions under British preferential and intermediate only | 20 |
| Reductions under intermediate only | 11 |
| Reductions under intermediate and general only | 6 |
| | 104 |

| | |
|---|---|
| Increases under intermediate and general only.. .. .. .. .. .. .. .. | 7 |
| Increase under intermediate only.. | 3 |
| Increases under general tariff only.. | 2 |
| | 12 |

Changes in the act itself include provisions for a clearer definition of the heretofore indefinite phrase "of a class or kind made in Canada" and for a more just and equitable administration of the so-called "dumping clauses."

Amendments proposed in the tariff schedules, while not unusually great in number, affect many commodities of extreme importance in our national economy. Obviously it is impossible for me to touch upon all of these in the course of my remarks: I trust that hon. members will read the resolutions of which I shall give notice at the conclusion of this address, and which will form part of it in Hansard in the morning, for details with respect to many items. I shall, however, make brief reference to some items, or groups of items, in respect of which changes in duties are contemplated.

By direction of my immediate predecessor in office, the Tariff Board has been reviewing duties applying to motor vehicles, cotton products, gasoline, and yarns and fabrics of artificial silk; and, at my request, has conducted an investigation into the present state of the furniture industry. I am to-day able to lay on the table—in fact I have presumed upon the goodness of the house to have them placed on the table in advance of my address, because of their bulk—reports from the board relating to these subjects. After careful consideration, the government has decided to accept in each instance the rates of duty recommended by the board.

Broadly speaking, the policy proposed in respect of automobiles is, I believe, one that will maintain the industry in Canada and, at the same time, guarantee fair prices to consumers. The relation—a vitally inter-dependent one—of the so-called "parts" industry to that of the huge manufacturing and assembling plants has been closely studied, and a feature of the new schedule is the manner in which the attainment of a high degree of Canadian content in the completed vehicle is encouraged. It will be remembered that under the Canada-United States agreement recently approved by parliament, the duties on automobiles were reduced from 20, 30 and 40 per cent, respectively, on the three price ranges, to 17½, 22½, and 30 per cent, respectively. It has been decided to make the existing intermediate tariff of 17½ per cent



apply to all automobiles and trucks—all of which, (including parts for original equipment, replacement or repair) will be free of duty under the British preferential tariff.

The reference to the Tariff Board on yarns and fabrics of cotton arose from a request by His Majesty's Government in the United Kingdom, under the provisions of the agreements of 1932, for a review of the duties on these goods under the British preferential tariff. The board was obliged, therefore, in its appraisal of the situation—domestic and British—to use the yardstick stipulated by those agreements, namely: the equation of the relative costs of production in the two countries. The board has kept within the terms of its reference and within the letter and spirit of the agreement; and the government, in tabling its report and accepting its recommendations, desires to do the same. It is proposed, therefore, to remove entirely the specific duties on yarns and fabrics of cotton, under the British preferential tariff. It is proposed, further, as properly following the reduction on yarns and fabrics, to revise the specific duties applying to cotton clothing, wearing apparel and manufactured articles of cotton, by removing these duties entirely on imports under the British preferential tariff and by reducing them by one-half on imports under the intermediate tariff.

The vital feature of the changes in the petroleum schedule is the reduction of the intermediate rate on gasoline to one cent per gallon as compared with a rate, until recently effective, of 2½ cents. This reduction should be of great importance to users of gasoline throughout Canada and it is confidently believed that it can be effected without injury to the Canadian refining industry.

In accordance with the results of the board's inquiry into the tariff situation surrounding artificial silk, it is proposed, under the British preferential tariff, to remove entirely the specific duties on both yarns and fabrics, to reduce also the ad valorem rate on acetate yarns, and to adjust the ad valorem rate on the fabrics. As a corollary to this reduction, the government proposes to reduce both the British preferential and intermediate duties on clothing, wearing apparel and manufactured articles of artificial silk, this reduction on the completely-finished articles being designed to pass on to the consumer the advantage in reduction of raw material duties given to those who cut up the materials and manufacture the garments.

The report on furniture is an interim one and recommends no change in the existing intermediate tariff rate of 30 per cent.

In the case of many commodities covered by to-day's resolutions, downward revision of duty has been confined to the British preferential tariff. These—additional to cotton and artificial silk products already dealt with—include many of outstanding importance to United Kingdom producers and Canadian consumers. I may illustrate by stating that scheduled reductions which are confined to the British preferential tariff—and entailing in several instances the removal of all duty—include such goods as chemical earthenware, steel machinery of a class or kind not made in Canada, tea waste, malt extracts and powders, dental forgings, fire engines, iron and steel machinery not separately enumerated, desiccated cocoanut, and all non-enumerated articles of iron or steel. Closely related to these are those items on which reductions, while operative under both British preferential and intermediate tariffs, will, in most instances, give the United Kingdom producer a better trading position in this market; in this connection I might refer to glass articles for mounting, heat-resisting glassware, nickelled and other plated ware and polished steel tubing.

May I at this point say a few words regarding changes at this time in the British preferential tariff. In negotiating recently with the United States, this government took scrupulous care to respect in letter and spirit every syllable of the agreements effected in 1932 with various countries of the British empire. Although the Liberal opposition of that day had registered disapproval of the conference agreements on the ground that in too many instances they established preferences by raising duties against other countries, nevertheless that opposition, now become the government of the day, has seen to it that every commitment was respected. No guaranteed British margin was impaired. Indeed, many preferences that might with warrant have been deemed not to be in that class were deliberately set aside as not open to negotiation, sometimes at considerable cost to Canada in the matter of bargaining.

And yet it is obvious that, although the agreements have been respected, the trading advantage here of British countries—notably, of course, the United Kingdom—is not so great as it was prior to the Canada-United States agreement. The very fact of admitting the United States to the benefits of our intermediate tariff produced that result. In the near future Canada must again sit at a table with the United Kingdom to consider a new agreement. It is obvious that, in such negotiations, Great Britain will seek such concessions as will, in her opinion, enable her to increase her trade with Canada. In such negotiations, needless to say, the Canadian government will take equally scrupulous care to observe the letter and the spirit of the Canada-United States trade agreement.

Canada cannot give everything to-day and bargain to-morrow, but Canada can, and this government does, give to-day to empire countries such concessions as will, I am sure, be accepted in the spirit in which the British preference was conceived. In this spirit this government, since coming into office, has seen to it that unnecessary impediments to inter-empire trade have been removed, that vexatious restrictions have been lessened and that arbitrary regulations have been altered or abolished. It has interested itself in the increase of inter-empire trade both by imports from the empire as well as exports to the empire; and under to-day's resolutions it proposes easier access to this country for certain empire commodities. The proposed reductions in the British preferential tariff are in no sense elements in a bargain. Concessions they are, both to Canadian consumers and to British producers, but concessions made in the firm belief that only from mutually advantageous exchange of commodities can come that common benefit in which should lie both the origin and the objective of intra-empire trade arrangements. Canada knows full well that Great Britain, when the day of conference comes, will not be unmindful or forgetful of Canada's past record in the matter of preferential treatment in this market for British products—a record crystallized to-day in the fact that close upon seven hundred items in Canada's tariff schedules, practically half the items in the entire list, have against them the word "free" in the British preferential column.

Reductions under all tariffs are proposed on a wide range of varied commodities, including biologicals for the diagnosis or treatment of diseases, materials used in the production of periodical publications, numerous petroleum products other than gasoline, ditchers and tractors of all kinds, safety equipment of all kinds, printing and press-room equipment, precision tools, draughtsmen's and surveyors' instruments, various articles for use in hospitals, certain soya bean products, all articles used by the blind, rolling mill and paper mill rolls and feeds for fur-bearing animals.

The effective tariff on agricultural implements, now the intermediate, is reduced to 7½ per cent, being further to the reduction from 25 per cent to 12½ per cent effected under the Canada-United States agreement.

As a gesture of good will and an earnest of intention to widen Canadian trade with the Irish Free State, reductions in duty, to be applicable under the British preferential tariff only, are proposed on certain products peculiarly identified with the Irish Free State and requested by that country, namely: stout, prune wine and Irish poplin.

Preferential treatment for empire-grown tobaccos is provided, in the belief that Southern Rhodesia may be able thereby to cater effectively to Canada's requirements in tobaccos of the oriental type, hitherto imported entirely from non-empire countries.

The preference in favour of Australia on raisins and dried currants, which lapsed on March 31, last, is renewed, at four cents per pound.

An interesting and much anticipated item is that giving statutory recognition to the undertaking in connection with the United States under the recent agreement, relative to the privilege to be accorded to Canadians returning from abroad of bringing into Canada, free of duty, personal purchases to a value of $100.

Solely on the grounds of public health, the importation of textile waste derived from used mattresses is prohibited, unless such mattress waste be certificated as to proper fumigation, cleaning, etcetera.

In introducing the budget of May 1, 1930, I made the following statement regarding countervailing duties:

> There are certain commodities which are or will become of double significance in Canada's trade with the world, both as imports and exports. On such commodities our policy has been, and is, to avoid extreme rates of duty, and we propose, regarding these products, to maintain in general the existing rates of duty.
>
> It has been decided, however, to embody within the wording of a limited number of items of this class provision for a "countervailing duty" whereby Canada, while not generally raising its schedule rates, imposes upon such products from another country rates equivalent to those imposed by that country upon the identical Canadian product, where these are higher than the rates enumerated in the Canadian tariff schedule. This means that other countries who both buy from and sell to us these commodities, have it in their own power, by reciprocal action on their part, to enable us to reduce duties to the level of the rates stated in our tariff.

I have quoted my remarks of that date for the reason that they still serve perfectly to express my opinions regarding countervailing provisions which to-day's resolutions apply to three natural products: cut flowers, potatoes and eggs.

Mr. ROWE (Dufferin): What about cast iron pipe?

[Mr. Dunning.]

Mr. DUNNING: These three commodities were included in the list of May 1, 1930, and that they are again singled out for such treatment is due to the fact that the late administration in wiping out in September, 1930, the countervailing provisions of the May budget, did not provide, under the intermediate tariff, a duty more in line with the general tariff on eggs and, what is more important, failed to provide any duty whatsoever on potatoes or cut flowers. The weakness of Canada's bargaining position in respect of these commodities became speedily apparent in the Washington negotiations, so much so that this government declined to bind these items at the existing intermediate rate, thus giving clear indication that it might, at the first opportunity, see fit to recommend to parliament a revision of these ratings. In so recommending to-day, may I make clear that our attitude continues to be that of 1930; we do not desire or intend to raise tariffs; we do by the countervailing duties invite other countries to bring their tariffs down to the level of ours.

In 1935 there was inserted in the tariff item relating to steel plate a proviso to the effect that, regardless of any other law to the contrary, the anti-dumping provisions should not apply to plate more than 66 inches in width. Thus to select a solitary commodity for such treatment was, to say the least, to make an invidious distinction and it is proposed to allow the anti-dumping provision to apply to all products to which the law says it should, under given conditions, apply. In the interests of justice and equity, therefore, and without any regard whatsoever to the effect upon the quantum of tariff protection afforded, it is proposed to delete from this item the proviso in question.

There will be tabled to-day, in addition to those to which I have made specific reference, reports by the tariff board resulting from inquiries regarding the following commodities: Thrown yarns of artificial silk, buttons and button moulds, forged steel rolls, rice for processing, rhinestones and metal beads, containers of paperboard or fibreboard and photographic apparatus. Not all of these suggest or recommend tariff changes but, in accordance with the provisions of the Tariff Board Act, they will be made available to this house.

Regarding to-day's tariff proposals, may I say that these are formulated on the principle that the most enduring kind of progress is orderly progress—and that applies equally whether one's intended direction in the im-

position of taxes be downward or upward. Extremes defeat their own purpose; violent fluctuations one way or the other are mere leaps in the dark. Intelligent and unprejudiced appraisal of to-day's tariff situation in Canada will reveal sound reasons, apart altogether from the general principles I have just enunciated, why the best results are to be secured by deliberate, considered and related stages. There is, for example, our position with respect to British countries, to which I have referred. And, in the purely domestic sphere, there is the fact so readily overlooked: that this government, in extending to the United States the benefits of the intermediate tariff, effected at one stroke the most thorough-going downward revision of the customs tariff of Canada since the inception of that tariff—as a consequence of which act, together with the changes now proposed, commodities imported from the United States under at least 200 of the most important items in the tariff will pay lower rates of duty than they would have paid had they been so imported after the adoption of the May 1st budget of 1930.

In concluding this address, it is natural that my thoughts should go back to the last occasion on which I had the honour of presenting the budget six years ago to-day. The great change both in world conditions and conditions in Canada during that interval constitutes a challenge without precedent to the ability, the judgment and the broad patriotism of those charged with public responsibilities.

The government of Canada is making earnest and sustained efforts to meet this challenge and to grapple with the manifold problems of the country. I would ask the house and the country to accept the proposals I have made to-day as part of a conscientious effort to promote the best interests of the people of Canada.

## Resolutions

Mr. Speaker, I beg to give notice that when we are in committee of ways and means I shall move the following resolutions:

### INCOME WAR TAX ACT

Resolved, That it is expedient to amend the Income War Tax Act and to provide:

1. That the corporation rate of tax shall be increased from thirteen and one-half per centum to fifteen per centum;

2. That where a consolidation is permitted the corporation rate of tax shall be increased from fifteen per centum to seventeen per centum;

3. That payment of the gift tax be made annually;

4. That gifts to any one person which in the aggregate do not exceed one thousand dollars in the calendar year be exempt from the provisions of the gift tax;

5. That the rate of interest on unpaid instalments of tax be reduced from six per centum to five per centum;

6. That the penalty rate of interest in addition to the interest provided for in the foregoing resolution in respect of unpaid overdue tax be reduced from four per centum to three per centum;

7. That a tax of five per centum be imposed at the source on payments by Canadian debtors to non-residents in respect of films whether copyrighted or not;

8. That any metalliferous mine that comes into production after the first day of May nineteen hundred and thirty-six and prior to the first day of January nineteen hundred and forty shall be exempt from income tax for the first three fiscal periods following the commencement of production;

The minister, under appropriate regulations, shall determine the date of commencement of production and the properties, new or old, that shall be determined as having come into production, having regard to the production of ore in reasonable commercial quantities, and shall issue a certificate accordingly.

9. That (a) an Investment Holding Company all of whose shares (qualifying shares excepted) are held by non-resident persons shall not be afforded the exemption provided by paragraph (k) of section four of the act, but shall be subject to a tax equal to one-half of the prevailing corporate rate of tax imposed upon Canadian companies;

(b) the five per cent tax on dividends paid to such non-resident shareholders by such Investment Holding Company shall not apply, except as hereinafter provided;

(c) in determining the taxable income of such Investment Holding Company a deduction shall not be allowed in respect of any interest payments or of taxes paid abroad;

(d) any five per cent tax paid by such companies in nineteen hundred and thirty-five shall be allowed as a deduction from the tax otherwise payable in respect of the said year;

(e) to the extent that five per cent tax has not been incurred in respect of the earnings of nineteen hundred and thirty-three, nineteen hundred and thirty-four and nineteen hundred and thirty-five, the five per cent tax shall continue to be imposed until the undistributed accumulated earnings of the said years have been made subject to the said tax;

(f) paragraph (k) of section four of the act shall be amended to apply to industrial and commercial operating companies only;

10. That any enactment founded on the provisions of these resolutions shall be deemed to have come into force at the commencement of the calendar year nineteen hundred and thirty-five and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods, except as otherwise provided.

### SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to introduce a measure to amend the Special War Revenue Act, chapter one hundred and seventy-nine of the Revised Statutes of Canada, 1927, and amendments thereto and to provide:

1. That part VII of the said act be amended to provide for the taxation of every change

of ownership of any participating interest in the operations or profits of any association, company, corporation, fund or trust not divided into shares at the rate of one-tenth of one per cent of the value of every such participating interest so transferred or assigned;

2. That subsection two of section seventy-seven A of the said act, as enacted by section twelve of chapter fifty of the statutes of 1932-33 and amended by section two of chapter forty-two of the statutes of 1934, be further amended by providing that the excise tax on packages of cigarette paper tubes be reduced from three cents to two cents for each one hundred cigarette paper tubes or fraction thereof;

3. That the rate of consumption or sales tax imposed by subsection one of section eighty-six of the said act, as enacted by section eleven of chapter fifty-four of the statutes of 1932, be increased from six per cent to eight per cent;

4. That Schedule I to the said act, as amended by section twenty-six of chapter fifty of the statutes of 1932-33, and by section six of chapter thirty-three of the statutes of 1935, be further amended by repealing section one thereof and substituting the following:

1. Automobiles adapted or adaptable for passenger use:

| | |
|---|---|
| (a) valued at not more than six hundred and fifty dollars.. .. | free |
| (b) valued at more than six hundred and fifty dollars, on the amount in excess of six hundred and fifty dollars.. .. .. .. .. | 5 per cent |

Provided that the tax collected under paragraph (b) above shall in no case exceed two hundred and fifty dollars per automobile.

Provided further that the tax shall not apply to automobiles imported:

(a) under Customs Tariff items 702, 706, 707 and 708;

(b) by a bona fide settler on a first arrival;

(c) by a beneficiary resident in Canada, under the terms of a will of a person dying in a foreign country.

5. That schedule II to the said act, as enacted by section seventeen of chapter forty-two of the statutes of 1934, be amended by adding to paragraph (iii) thereof the following:

Provided, also, that the tax imposed under paragraph (iii) shall not apply to the goods mentioned therein, when sold to or imported by manufacturers of automobiles or chassis under the following conditions:

(a) If less than ten thousand automobiles or chassis are manufactured or produced per annum and at least fifty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

(b) If ten thousand automobiles or chassis or more are manufactured or produced per annum and at least sixty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire:

Provided, however, that effective April 1, 1938, the words "sixty-five" shall be substituted for the word "sixty" in this paragraph.

6. That schedule III to the said act, being the list of articles exempted from the consumption or sales tax, as enacted by section eighteen of chapter forty-two of the statutes of 1934, and amended by section seven of chapter thirty-three of the statutes of 1935, be further amended by adding to the said schedule the following:

Materials, not to include lubricating or fuel oils or plant equipment, consumed in the process of the manufacture or production of taxable goods;

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county or township roads;

Printing paper and printing ink for use exclusively in producing quarterly, bi-monthly, monthly and semi-monthly magazines and weekly literary papers unbound;

Liver extract for use exclusively in the treatment of anaemia;

Goods enumerated in Customs Tariff items 695b and 696a.

7. That schedule V to the said act, as enacted by section nineteen of chapter forty-two of the statutes of 1934 and amended by section nine of chapter thirty-three of the statutes of 1935, be further amended as follows:

i. By inserting therein after the words "not to include" in the second line thereof the words "automobiles adapted or adaptable to passenger use";

ii. By adding thereto the following:

Goods enumerated in customs tariff items 695a, 695b and 696a;

Materials for use in the manufacture of binder twine and fishing rope.

8. That any enactment founded on paragraphs one to seven inclusive of this resolution shall be deemed to have come into force on the second day of May, one thousand nine hundred and thirty-six, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day and to have applied to goods previouly imported for which no entry for consumption was made before that date.

EXCISE ACT

Resolved, That it is expedient to introduce a measure to amend the schedule to The Excise Act, 1934, as amended by chapter twenty-nine of the statutes of 1935 and to provide:

1. That the duty of excise on Canadian brandy be reduced from four dollars to three dollars per proof gallon;

2. That the duty of excise imposed upon spirits used in the manufacture of patent and proprietary medicines, extracts, essences and pharmaceutical preparations be reduced from two dollars and fifty cents to one dollar and fifty cents per proof gallon;

3. That the duty of excise imposed upon spirits, sold to licensed druggists and used exclusively in the preparation of prescriptions for medicines and pharmaceutical preparations be reduced from two dollars and fifty cents to one dollar and fifty cents per proof gallon;

4. That paragraphs (d) and (e) of section six of the said schedule, being the duties imposed upon imported leaf tobacco unstemmed and imported leaf tobacco stemmed be repealed;

5. That any enactment founded on paragraphs one, two, three and four of this resolution shall be deemed to have come into force on the second day of May, one thousand nine hundred and thirty-six.

CUSTOMS TARIFF

1. Resolved, That the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter thirty-nine of the acts of 1929, chapter thirteen of the acts of 1930 (first session), chapter three of the acts of 1930 (second session), chapter thirty of the acts of 1931, chapter six and thirty-seven of the acts of 1932-33, chapters thirty-two and forty-nine of the acts of 1934

and chapter twenty-eight of the acts of 1935, be further amended by striking thereout subsection one of section six thereof and substituting therefor the following:

(1) In the case of articles exported to Canada of a class or kind made or produced in Canada, if the export or actual selling price to an importer in Canada is less than the fair market value of the same article when sold for home consumption in the usual and ordinary course in the country whence exported to Canada at the time of its exportation to Canada, or is less than the fair market value or value for duty thereof as determined under the provisions of section thirty-six of the Customs Act, or is less than the value for duty thereof as determined by the minister under the provisions of paragraphs (a) and (e) of section forty-one of the Customs Act, or is less than the fair market value thereof as fixed under the provisions of section forty-three of the Customs Act, there shall, in addition to the duties otherwise established, be levied, collected and paid on such article, on its importation into Canada, a special or dumping duty, equal to the difference between the said selling price of the article for export and the said fair market value thereof or value for duty thereof; and such special or dumping duty shall be levied, collected and paid on such article although it is not otherwise dutiable.

Provided that when it is established that any articles though of a class or kind made or produced in Canada are not offered for sale to the ordinary agencies of wholesale or retail distribution or are not offered to all purchasers on equal terms under like conditions, having regard to the custom and usage of trade, such articles may be exempted from special or dumping duty.

Provided that the said special duty shall not exceed fifty per centum ad valorem in any case, and the following goods shall be exempt from such special duty, viz.:—

Goods of a class subject to duty under the Excise Act.

Provided, notwithstanding, that on importations from Australia under the Australian Trade Agreement Act, 1925, the said special duty shall not exceed fifteen per centum ad valorem in any case.

2. Resolved, That the aforesaid section six of the Customs Tariff be further amended by striking thereout subsection eight thereof and substituting in lieu thereof the following:

(8) The minister may make such regulations as are deemed necessary for carrying out the provisions of this section and for its enforcement, and such regulations may also provide for the exemption from special or dumping duty of any imported article when the minister is satisfied that the article or class of articles is not available at fair competitive prices in any consuming market in Canada owing to the remoteness of such market from the Canadian source of supply.

3. Resolved, That the aforesaid section six of the Customs Tariff be further amended by adding thereto the following subsection:

(10) For the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless so made or produced in substantial quantities; and the governor-in-council may by order-in-council provide that such quantities, to be substantial, shall be sufficient to supply a certain percentage of the normal Canadian consumption and may in such order fix such percentage.

4. Resolved, That the French version of tariff item 691 of schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as enacted by section five of chapter twenty-eight of the statutes of 1935, be amended by striking out the word "croix" in the second line of the said item and substituting therefor the word "crosses."

5. Resolved, That schedule A to the Customs Tariff being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen of the acts of 1928, chapter thirty-nine of the acts of 1929, chapter thirteen of the acts of 1930 (first session), chapter three of the acts of 1930 (second session), chapter thirty of the acts of 1931, chapter forty-one of the acts of 1932, chapters six and thirty-seven of the acts of 1932-33, chapters thirty-two and forty-nine of the acts of 1934, and chapter twenty-eight of the acts of 1935, be further amended by striking thereout tariff items 16, 28, 28a, 35, 79b, 83(a), 99c, 113, 142, 147, 168, 173, 178, 180a, 183, 199b, 200a, 206, 206a, 208h, 208i, 219d, 219e, 224, 259, 267, 267a, 267b, 268, 269, 270, 271, 272, 273, 274, 275, 284, 286, 288, 312a, 323, 326a, 362, proviso to 380(b), 404b, 409b to 409k inclusive, 409l, 409m, 409n, 409q, 410d, 411b, 412, 412a, 422a, 424, 427, 427a, 428a, 428b, 429(a), 429(g), 430, 430a, 431b, 431c, 435, 438a, 438b, 438c, 438d, 438e, 438f, 438h, 438i, 445a, 445f, 445g, 445k, 445m, 446a, 455, 462, 463, 473, 476a, 494b, 505, 513, 522, 522c, 523, 523a, 523b, 529, 529a, 532, 558b, 558d, 561, 564b, 567a, 569c, 569e, 584a, 584b, 587a, 603, 607 (Part 2), 657a, 663c, 672a, 695, 695b, 698, 698a, 703, 718, 783, 802, 811, 813, 818, 821, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
|---|---|---|---|---|---|---|---|
| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| 9c | Horse meat, tripe and other animal offal, unfit for human consumption, and cereal meal, when for use exclusively in the feeding of fur-bearing animals... | Free | Free | Free | 15 p.c.<br>2 cts.<br>15 p.c. | 25 p.c.<br>2¼ cts.<br>17½ p.c. | 25 p.c.<br>5 cts.<br>20 p.c. |
| 9d | Baby chicks, n.o.p.....each | Free | 4 cts. | 5 cts. | 12½ p.c. | 17½ p.c. | 20 p.c. |
| 16 | Eggs in the shell.....per dozen<br>Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country. | 2 cts. | 5 cts. | 10 cts. | 2 cts.<br>(No countervailing provision) | 5 cts. | 10 cts. |
| 28 | Coffee, green, imported direct from the country of growth and production, or purchased in bond in the United Kingdom.....per pound<br>Provided, that coffee, green, shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister that such coffee has been produced wholly in the British dominions, colonies or possessions, and not otherwise. | Free | 3 cts. | 5 cts. | Free | 3 cts. | 3 cts. |
| 28a | Tea, imported direct from the country of growth and production, or purchased in bond in the United Kingdom or in any British possession....per pound<br>When in packages weighing five pounds, each, or less, the weight of such packages to be included in the weight for duty.<br>Provided, that tea shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister that such tea has been produced wholly in the British dominions, colonies or possessions, and not otherwise. | 4 cts. | 8 cts. | 8 cts. | 4 cts. | 8 cts. | 8 cts. |
| 28b | Tea dust, sweepings or waste, when imported by manufacturers of caffein, crude or refined, for use exclusively in the manufacture of caffein, crude or refined, in their own factories..... | Free | ..... | ..... | 4 cts. | 8 cts. (per pound) | 8 cts. |

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| | Provided, that tea dust, sweepings or waste shall be entitled to entry under this item upon evidence satisfactory to the Minister that such tea dust, sweepings or waste has been produced wholly in the British dominions, colonies or possessions, and not otherwise. | | | | | | |
| 35 | Hops.....per pound | 6 cts. | 10 cts. | 16 cts. | 8 cts. | 16 cts. | 16 cts. |
| 79b | Flowers and foliage, natural, cut, whether in designs or bouquets or not, n.o.p..... | Free | Free | 40 p.c. | Free | Free | 40 p.c. |
| | Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country. | | | | (No count | rvailing provisi | ion) |
| 83 | Potatoes, as hereunder defined:— | | | | | | |
| | (a) In their natural state..per one hundred pounds | Free | Free | 75 cts. | Free | Free | 75 cts. |
| | Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country. | | | | (No count | ervailing provisi | on) |
| 99c | Raisins and dried currants.....per pound | Free | 4 cts. | 4 cts. | Free | 3 cts. | 3 cts. |
| | When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty. | | | | | | |
| 113 | Cocoanut, desiccated, sweetened or not....per pound | 3 cts. | 6 cts. | 6 cts. | 5 cts. | 6 cts. | 6 cts. |
| 142 | Tobacco, unmanufactured, for excise purposes under conditions of the Excise Act, subject to such regulations as may be prescribed by the Minister:— | | | | | | |
| | *(a)* Of the type commonly known as Turkish:— | | | | | | |
| | (i) Unstemmed.....per pound | 20 cts. | 40 cts. | 40 cts. | 40 cts. | 40 cts.. | 40 cts. |
| | (ii) Stemmed.....per pound | 30 cts. | 60 cts. | 60 cts. | 60 cts. | 60 cts. | 60 cts. |
| | *(b)* N.O.P.:— | | | | | | |
| | (i) Unstemmed.....per pound | 40 cts. | 40 cts. | 40 cts. | 40 cts. | 40 cts. | 40 cts. |
| | (ii) Stemmed.....per pound | 60 cts. | 60 cts. | 60 cts. | 60 cts. | 60 cts. | 60 cts. |
| | Provided that the duty under this item shall be levied on the basis of "Standard leaf tobacco" consisting of ten per centum of water and ninety per centum of solid matter. | | | | | | |
| 147 | *(a)* Ale and beer, when imported in bottles..per gallon | 30 cts. | 50 cts. | 50 cts. | 30 cts. | 50 cts. | 50 cts. |
| | *(b)* Porter and stout, when imported in bottles per gallon | 15 cts. | 50 cts. | 50 cts. | 30 cts. | 50 cts. | 50 cts. |
| | Provided, that six quart bottles or twelve pint bottles shall be held to contain one gallon. | | | | | | |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
|---|---|---|---|---|---|---|---|
| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| 163a | Prune wine, not sparkling, when containing not more than thirty-eight per centum of proof spirit per gallon<br>Provided, that six quart bottles or twelve pint bottles be held to contain a gallon for duty purposes under this item. | 25 cts. | | | 55 cts.<br>and..... | 55 cts.<br>..... | 55 cts.<br>30 p.c. |
| 168 | Malt flour containing less than fifty per centum in weight of malt; malt syrup or malt syrup powder; extracts of malt, fluid or not; grain molasses—all articles in this item upon valuation without British or foreign excise duties, under regulations prescribed by the Minister.....per pound<br>and | .....<br>25 p.c. | 5 cts.<br>30 p.c. | 10 cts.<br>35 p.c. | 3 cts.<br>20 p.c. | 5 cts.<br>30 p.c. | 10 cts.<br>35 p.c. |
| 173 | Books for the instruction of the deaf or dumb..... | Free | Free | Free | Free | Free | Free |
| 178 | Advertising and printed matter, viz.:—Advertising pamphlets, advertising show cards, illustrated advertising periodicals; price books, catalogues and price lists; advertising almanacs and calendars; patent medicine or other advertising circulars, fly sheets or pamphlets; advertising chromos, chromotypes, oleographs or like work produced by any process other than hand painting or drawing, and having any advertisement or advertising matter printed, lithographed or stamped thereon, or attached thereto, including advertising bills, folders and posters, or other similar artistic work, lithographed, printed or stamped on paper or cardboard for business or advertisement purposes, n.o.p.....<br>per pound<br>Provided, that on importations under the Intermediate or the General Tariff, the rate of duty shall be not less than..... | 5 cts.<br>..... | 12½ cts.<br>27½ p.c. | 15 cts.<br>35 p.c. | 5 cts.<br>but not less th | 12½ cts.<br>an..... | 15 cts.<br>35 p.c.<br>under the General Tariff. |
| 180a | Photographs for use only as news illustrations, under regulations by the Minister..... | Free | Free | Free | Free<br>15 p.c. | Free<br>22½ p.c. | Free<br>22½ p.c. |
| 180d | Photographs, paintings, pastels, drawings and other art work and illustrations of all kinds, whether originals, copies or proofs, for reproduction in periodical publications enjoying second-class mailing privileges, (other than daily newspapers)..... | Free | 10 p.c. | 25 p.c. | Free<br>15 p.c.<br>15 p.c. | Free<br>22½ p.c.<br>22½ p.c. | Free<br>22½ p.c.<br>25 p.c. |

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| 183 | Newspapers, or supplemental editions or parts thereof, partly printed and intended to be completed and published in Canada; comic and pictorial sections, non-advertising, to be inserted in or folded with periodical publications entered for mailing purposes as second-class matter | Free | Free | Free | Free<br>15 p.c. | 22½ p.c.<br>22½ p.c. | 25 p.c.<br>22½ p.c. |
| 197d | Tissue paper made from mulberry pulp, not coated nor impregnated, when imported by manufacturers of stencils for duplicating machines for use exclusively in the manufacture of such stencils in their own factories | Free | 10 p.c. | 25 p.c. | 15 pc.c | 22½ p.c. | 25 p.c. |
| 199b | Containers wholly or partially manufactured from fibreboard or paperboard.....per pound<br>Provided, that in no case shall the rate of duty under the Intermediate or the General Tariff be less than..... | 1 ct.<br>..... | 1¼ cts.<br>30 p.c. | 1½ cts.<br>35 p.c. | 1 ct. | 1¼ cts. | 1½ cts. but not less than 35 p.c. |
| 200a | Regenerated cellulose, and cellulose acetate, transparent, in sheets, not printed, and manufactures of regenerated cellulose or of cellulose acetate, n.o.p... | 20 p.c. | 30 p.c. | 35 p.c. | 20 p.c. | 30 p.c. | 35 p.c. |
| 206 | Dragon's blood; fuller's earth, in bulk only, not prepared for toilet or other purposes; litmus and all lichens, prepared or not prepared; musk, in pods or in grain; quassia juice; saffron, saffron cake, safflower, and extracts of; quinine, salts of; cochineal; ferment cultures to be used in butter-making..... | Free | Free | Free | Free | Free | Free |
| 206a | Biological products, animal or vegetable, n.o.p., for parental administration in the diagnosis or treatment of diseases of man, when manufactured under licence of the Department of Pensions and National Health under regulations prescribed by the Food and Drugs Act..... | Free | Free | Free | Free<br>15 p.c.<br>20 p.c.<br>25 p.c. | Free<br>25 p.c.<br>25 p.c.<br>40 p.c. | Free<br>25 p.c.<br>25 p.c.<br>40 p.c. |
| 208h | Ethylene glycol, when imported by manufacturers of anti-freezing compounds, to be used exclusively in the manufacture of anti-freezing compounds in their own factories.....until September 1, 1936<br>Thereafter | Free<br>Free | Free<br>15 p.c. | Free<br>15 p.c. | Free | 15 p.c. | 15 p.c. |
| 208i | Animal glands and animal glandular organs, and extracts thereof, wet or dry, (whether alcoholic or not), when imported by manufacturers of pharmaceutical or medicinal preparations for use exclusively in the manufacture of such preparations in their own factories..... | Free | Free | Free | Free<br>60 p.c. | Free<br>60 p.c. | Free<br>60 p.c. |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
|---|---|---|---|---|---|---|---|
| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| 219d | Sulphuric ether; chloroform, n.o.p.; preparations of vinyl ether for anaesthetic purposes | Free | 25 p.c. | 25 p.c. | Free<br>60 p.c. | 25 p.c.<br>60 p.c. | 25 p.c.<br>60 p.c. |
| 219e | Chloropicrin, cyanides, or mixtures containing either chloropicrin or cyanide, for use in combating destructive insects and pests | Free | Free | Free | Free<br>Free | Free<br>15 p.c. | Free<br>15 p.c. |
| 224 | Sealing wax | 15 p.c. | 22½ p.c. | 25 p.c. | 15 p.c. | 22½ p.c. | 25 p.c. |
| 259 | Lard oil and neat's foot oil | 15 p.c. | 22½ p.c. | 25 p.c. | 15 p.c. | 22½ p.c. | 25 p.c. |
| 259a | Sesame seed oil | Free | 22½ p.c. | 25 p.c. | 15 p.c. | 22½ p.c. | 25 p.c. |
| 259b | Rapeseed oil, crude or refined | Free | Free | Free | 15 p.c. | 25 p.c. | 25 p.c. |
| 7 | Crude petroleum not subjected to any other process than natural weathering and removal of foreign matter and water, when imported by oil refiners to be refined in their own factories:— | | | | | | |
| | (i) ·8155 specific gravity (42·0 A.P.I.) or heavier at 60 degrees Fahrenheit | Free | Free | Free | Free | Free | Free |
| | (ii) Lighter than ·8155 specific gravity (42·0 A.P.I.) at 60 degrees Fahrenheit.....per gallon | ½ ct. | ½ ct. | 1 ct. | Free (·7900 specific<br>1 ct. (·7900 to<br>15 p.c. (less than | Free gravity or heavier) (Tariff Item 267a)<br>1¼ cts. ·775 specific gravity) (Tariff Item 270)<br>25 p.c. ·775 specific gravity) (Tariff Item 711) | Free<br>1½ cts.<br>25 p.c. |
| 267a | Crude petroleum, n.o.p.....per gallon | ½ ct. | ½ ct. | 1 ct. | ½ ct. (·8235 specific<br>1 ct. (Lighter than<br>15 p.c. (Lighter than | ½ ct. gravity or heavier) (Tariff Item 267)<br>1¼ cts. ·8235 but not lighter than ·775 specific gravity) (Tariff Item 270)<br>25 p.c. ·775 specific gravity) (Tariff Item 711) | ½ ct.<br>1½ cts.<br>25 p.c. |

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| 267b | Petroleum tops; blends of petroleum tops or petroleum products with crude petroleum; all the foregoing ·7249 specific gravity (63·7 A.P.I.) or heavier, at 60 degrees Fahrenheit, when imported by oil refiners to be refined in their own factories .....per gallon | Free | 1 ct. | 2 cts. | Free | 1½ cts. | 1½ cts. |
| 268 | Natural casinghead, compression or absorption gasoline, lighter than ·6690 specific gravity (80·0 A.P.I.) at 60 degrees Fahrenheit, when imported by refiners of crude petroleum for blending with gasoline wholly produced in Canada..... | Free | Free | Free | Free | Free (Tariff Item 272) | Free |
| 269 | Products of petroleum, n.o.p.— | | | | | | |
| | (i) Lighter than ·8236 specific gravity (40·3 A.P.I.) at 60 degrees Fahrenheit.....per gallon | ¾ ct. | 1 ct. | 2 cts. | 2 cts. | 2¼ cts. (Tariff Item 271) | 2½ cts. |
| | (ii) ·8236 specific gravity (40·3 A.P.I.) or heavier at 60 degrees Fahrenheit.....per gallon | ½ ct. | ½ ct. | 1 ct. | ½ ct. | ½ ct. (Tariff Item 267) | ½ ct. |
| 269a | Petroleum oil known as engine distillate ·8017 specific gravity (45·0 A.P.I.) or heavier at 60 degrees Fahrenheit.....per gallon | ½ ct. | ½ ct. | 1 ct. | 2 cts. (·8017 to ·8235 specific gravity) | 2¼ cts. (Tariff Item 271) | 2½ cts. |
| | | | | | ½ cts. (·8235 specific gravity or heavier) | ½ ct. (Tariff Item 267) | ½ ct. |
| 270 | Oil when imported by miners or mining companies or concerns to be used in the concentration of ores of metal in their own concentrating establishments, under regulations prescribed by the Minister..... | Free | Free | Free | Free | Free (Tariff Item 275) | Free |
| 271 | Lubricating oils composed wholly or in part of petroleum:— | | | | | | |
| | *(a)* valued at less than 25 cents per gallon.....per gallon | 1½ cts. | 2¼ cts. | 2½ cts. | 1½ cts. | 2¼ cts. | 2½ cts. |
| | *(b)* n.o.p..... | 12½ p.c. | 17½ p.c. | 20 p.c. | 12½ p.c. | 17½ p.c. | 20 p.c. |
| 272 | Refined petroleum jellies and oils, for toilet, medicinal, edible, or similar purposes..... | 15 p.c. | 22½ p.c. | 25 p.c. | 15 p.c. | 22½ p.c. (Tariff Item 274) | 25 p.c. |
| 272a | Petroleum greases and lubricating greases, n.o.p.... | 12½ p.c. | 17½ p.c. | 20 p.c. | 12½ p.c. | 17½ p.c. (Tariff Item 273) | 20 p.c. |
| 272b | Paraffin wax,..... | 15 p.c. | 22½ p.c. | 25 p.c. | 15 p.c. | 22½ p.c. (Tariff Item 224) | 25 p.c. |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
|---|---|---|---|---|---|---|---|
| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| 273 | Asphalt or asphaltum, solid or not | Free | 10 p.c. | 10 p.c. | Free | 17½ p.c. (Asphalt, not solid) (Tariff Item 584a) | 17½ p.c. |
| | | | | | Free | 10 p.c. (Asphalt, solid) (Tariff Item 584b) | 10 p.c. |
| 273a | Asphaltum oil for use only for paving purposes | Free | Free | Free | Free | Free (Tariff Item 718) | Free |
| 274 | Petroleum coke | Free | Free | Free | Free | Free (Tariff Item 587a) | Free |
| 275 | Liquefied petroleum gases for heating, cooking or illuminating purposes, when imported in containers | 10 p.c. | 15 p.c. | 25 p.c. | 15 p.c. | 25 p.c. | 25 p.c. |
| 284 | Drain pipes, sewer pipes and earthenware fittings therefor, chimney linings or vents, chimney tops and inverted blocks glazed or unglazed, n.o.p.; earthenware tiles, n.o.p. | 25 p.c. | 32½ p.c. | 35 p.c. | 25 p.c. | 32½ p.c. | 35 p.c. |
| 286 | Earthenware and stoneware, viz.:—demijohns, churns or crocks, n.o.p. | 25 p.c. | 30 p.c. | 35 p.c. | 25 p.c. | 30 p.c. | 35 p.c. |
| 288 | Earthenware and stoneware, brown or coloured and Rockingham ware, n.o.p.; "C.C." or cream-coloured ware, decorated, printed or sponged, n.o.p.; and all earthenware, n.o.p | 25 p.c. | 35 p.c. | 35 p.c. | 25 p.c. | 35 p.c. | 35 p.c. |
| 288a | Chemical stoneware composed of a non-absorbent vitrified body specially compounded to resist acids or other corrosive reagents | Free | 35 p.c. | 35 p.c. | 25 p.c. | 35 p.c. | 35 p.c. |
| 288b | Hand forms of porcelain, when imported by manufacturers for use exclusively in the manufacture of rubber gloves in their own factories | Free | 35 p.c. | 35 p.c. | 25 p.c. | 35 p.c. | 35 p.c. |
| 311a | Blackboards, solid, of slate or of paper composition | Free | 10 p.c. | 25 p.c. | Free<br>22½ p.c. | 22½ p.c.<br>32½ p.c. | 25 p.c.<br>35 p.c. |
| 312a | Asbestos in any form other than crude, and all manufactures thereof, when made from crude asbestos of Empire origin, n.o.p. | Free | 22½ p.c. | 25 p.c. | Free | 22½ p.c. | 25 p.c. |

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| 323 | Silvered glass, bevelled or not and framed or not, n.o.p | 22½ p.c. | 30 p.c. | 35 p.c. | 22½ p.c. | 30 p.c. | 35 p.c. |
| 326a | Manufactures of glass, n.o.p. | 15 p.c. | 20 p.c. | 22½ p.c. | 15 p.c. | 20 p.c. | 22½ p.c. |
| 326e | Articles of glass, not plate or sheet, designed to be cut or mounted; articles of glassware, when imported by manufacturers of silverware to be used in receptacles made of or electro-plated with precious metals, in their own factories | Free | 10 p.c. | 22½ p.c. | 15 p.c. | 20 p.c. | 22½ p.c. |
| 326f | Hollow shapes of glass, moulded, when imported by manufacturers of electric light fixtures to be used in such fixtures manufactured in their own factories | Free | 15 p.c. | 32½ p.c. | 15 p.c. | 30 p.c. | 32½ p.c. |
| 326g | High thermal shock resisting glassware | Free | 25 p.c. | 32½ p.c. | 15 p.c.<br>15 p.c. | 20 p.c.<br>30 p.c. | 22½ p.c.<br>32½ p.c. |
| 326h | Fresnel or dioptric lenses, sections and globes | Free | Free | 30 p.c. | 15 p.c.<br>20 p.c. | 30 p.c.<br>30 p.c. | 32½ p.c.<br>30 p.c. |
| 346a | Zinc slugs or discs, when imported by manufacturers of electric storage batteries, for use exclusively in the manufacture of seamless cups or shells for such batteries, in their own factories | Free | 10 p.c. | 25 p.c. | 15 p.c. | 22½ p.c. | 25 p.c. |
| 362 | Articles consisting wholly or in part of sterling or other silverware, n.o.p.; manufactures of gold or silver, n.o.p. | 30 p.c. | 37½ p.c. | 45 p.c. | 30 p.c. | 37½ p.c. | 45 p.c. |
| 362c | Nickel-plated ware, gilt or electro-plated ware, n.o.p. | 17½ p.c. | 33⅓ p.c. | 45 p.c. | 30 p.c. | 37½ p.c. | 45 p.c. |
| 392b | Forgings of steel, rough machined and fitted or not, and handles of steel or of metal alloy in the rough, when imported by manufacturers of surgical and dental instruments for use in the manufacture of such instruments in their own factories | Free | 27½ p.c. | 30 p.c. | 20 p.c. | 27½ p.c. | 30 p.c. |
| 398a | Pipes and tubes of iron or steel, seamless, cold drawn, plain ends, polished, valued at not less than five cents per pound | Free | 20 p.c. | 30 p.c. | 15 p.c. | 27½ p.c. | 30 p.c. |
| 404 | (b) For the running gear of other vehicles, n.o.p. | 22½ p.c. | 30 p.c. | 35 p.c. | 22½ p.c. | 30 p.c. | 35 p.c. |
| 409b | Cultivators, harrows, seed-drills, horse-rakes, horse-hoes, scufflers, manure spreaders, garden seeders, weeders, and complete parts of all the foregoing | Free | 7½ p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |
| 409c | Ploughs; farm, field, lawn or garden rollers; soil packers; complete parts of all the foregoing | Free | 7½ p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
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| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| 409d | Mowing machines, harvesters, either self-binding or without binders, binding attachments, reapers, harvesters in combination with threshing machine separators including the motive power incorporated therein, and complete parts of all the foregoing.... | Free | 7½ p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |
| 409e | (i) Spraying and dusting machines and attachments therefor, including hand sprayers; apparatus specially designed for sterilizing bulbs; pressure testing apparatus for determining maturity of fruit; pruning hooks; pruning shears; animal dehorning instruments; and complete parts of all the foregoing..... | Free | 7½ p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |
| | (ii) Fruit and vegetable grading, washing and wiping machines and combination bagging and weighing machines, and complete parts thereof; machines for topping vegetables, and machines for bunching and/or tying cut flowers, vegetables and nursery stock, and complete parts thereof; egg-graders and complete parts thereof, not including aluminum parts..... | Free | 5 p.c. | 10 p.c. | Free<br>10 p.c.<br>15 p.c. | 10 p.c.<br>30 p.c.<br>27½ p.c. | 10 p.c.<br>35 p.c.<br>35 p.c. |
| | (iii) Complete parts of aluminum for egg-graders.... | Free | 15 p.c. | 30 p.c. | 15 p.c. | 30 p.c. | 30 p.c. |
| 409f | Hay loaders, hay tedders, potato planters, potato diggers, fodder or feed cutters, ensilage cutters, grain crushers and grain or hay grinders for farm purposes only, post hole diggers, snaths, stumping machines and all other agricultural implements or agricultural machinery, n.o.p., and complete parts of all the foregoing..... | Free | 7½ p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |
| 409g | Incubators for hatching eggs, brooders for rearing young fowl, and complete parts of all the foregoing. | Free | 7½ p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |
| 409h | Hay presses and complete parts thereof..... | Free | 7½ p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |
| 409i | Scythes, sickles or reaping hooks, hay or straw knives, edging knives, hoes, pronged forks, rakes, n.o.p.... | Free | 7½ p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |
| 409j | Fanning mills; peaviners; corn husking machines; threshing machine separators, including wind stackers, baggers and self-feeders therefor; complete parts of all the foregoing..... | Free | 7½ p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |

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| 409k | Windmills and complete parts thereof, not including shafting | Free | 7½ p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |
| 409l | Traction ditching machines (not being ploughs) and complete parts thereof | Free | Free | Free | Free<br>15 p.c. | Free<br>27½ p.c. | Free<br>35 p.c. |
| 409m | Internal combustion traction engines; traction attachments designed to be combined with automobiles in Canada for use as traction engines; complete parts of all the foregoing | Free | Free | Free | Free<br>Free<br>15 p.c. | Free<br>15 p.c.<br>27½ p.c. | Free<br>25 p.c.<br>35 p.c. |
| 409n | Portable engines with boilers, in combination, for farm purposes; horse powers; complete parts of all the foregoing | Free | 15 p.c. | 25 p.c. | Free | 15 p.c. | 25 p.c. |
| 410d | Well-drilling machinery and apparatus, and complete parts thereof, of a class or kind not made in Canada, and seamless iron or steel tubing over eight inches in diameter, for use exclusively in drilling for water, natural gas and oil, and in prospecting for minerals, but not to include motive power; well packers and complete parts thereof, for oil and gas wells | Free | Free | Free | Free | Free | Free |
| 410i | (ii) Combustible gas indicators, for detecting explosive gases or vapors; methane detectors; carbon monoxide detectors and continuous indicators and recorders; carbon monoxide alarms; pyrotannic detectors for determining the presence and quantity of carbon monoxide in the blood; inhalators for use in reviving victims of carbon monoxide poisoning; pocket gas respirators, dust respirators, paint and lacquer spray respirators, fume and smoke masks, and hose mask outfits complete with face piece, harness, air line and air pump or blower, designed for the protection of firemen and industrial workers; special safety goggles, designed for eye protection of miners, welders, foundrymen and other industrial workers employed in hazardous work; complete parts of all the foregoing | Free | Free | Free | 15 p.c.<br>20 p.c.<br>15 p.c. | 27½ p.c.<br>27½ p.c.<br>17½ p.c. (and other ratings) | 35 p.c.<br>30 p.c.<br>20 p.c. |
| 411b | Cylinder stave saws, wheel type stave jointers, crozing and champhering machinery, and complete parts thereof | 10 p.c. | 15 p.c. | 20 p.c. | 10 p.c. | 15 p.c. | 20 p.c. |
| 412 | Machinery, being presses for use in the printing of newspapers, of not less value by retail than fifteen hundred dollars each, of a class or kind not made in Canada, and complete parts thereof, not to include saws, knives and motive power; mechanical deliveries or conveyors for use with newspaper printing presses | Free | Free | Free | Free<br>15 p.c. | Free<br>27½ p.c. | Free<br>35 p.c. |

[Mr. Dunning.]

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
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| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| 412a | Machinery and apparatus, n.o.p., viz.:—Gun and mould apparatus for making press rollers; machines and apparatus for making electrotypes and stereotypes; engraving machines and apparatus, including photo-engraving apparatus, and other plate-making apparatus, used in the manufacture of printing plates of all kinds; machines and apparatus for graining metal plates; machines and apparatus for sensitizing, grinding or polishing metal plates; machines and apparatus including cameras and camera equipment, lens, prisms, camera and printing lamps, screens, and vacuum frames for transferring by photographic processes, or direct, to plates or rolls for use in lithography, rotogravure and printing; shading apparatus; machines and apparatus for addressing and/or wrapping newspapers, magazines, periodicals, pamphlets and catalogues; machines and apparatus for embossing or stamping or producing embossed or engraved effects, book-binding, looping, stitching, sewing, gathering, inserting, bronzing, dusting, creasing, scoring, cutting, perforating, drilling, punching, slitting, re-winding, glueing, pasting, gumming, waxing, varnishing, carbon coating, patching, numbering, ruling, jogging, sheet piling, tying, bundling, tube-making, metal mounting, eyeletting, staying or stripping, reinforcing and box-covering; complete parts, not to include saws, knives and motive power; all the foregoing when for use exclusively by, and in their capacities as, printers, lithographers, book-binders, manufacturers of stereotypes, electrotypes and printing plates or rolls, paper converters, or by manufacturers of articles made from paper or cardboard..... | Free | Free | 10 p.c. | Free<br>15 p.c. | 5 pc.<br>27½ p.c. | 10 p.c.<br>35 p.c. |
| 422a | Concrete road-paving machines, self-propelling, end loading type, with a capacity of 21 cubic feet of wet concrete or more; concrete and asphalt road finishing machines; form graders; sub-graders; combination cable-controlled excavating and transporting scraper units; back-filling machines and equipment, mounted on self-propelling wheels or | | | | | | |

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| | crawling traction, semi- or full-revolving boom and scraper type; steam or air driven pile hammers or extractors; well-points; truck turntables; all the foregoing of a class or kind not made in Canada, and complete parts thereof | Free | 10 p.c. | 12½ p.c. | Free<br>15 p.c. | 10 p.c.<br>27½ p.c. | 12½ p.c.<br>35 p.c. |
| 424 | Fire engines and other fire extinguishing machines and chassis for same; complete parts other than chassis parts | Free | 30 p.c. | 35 p.c. | 10 p.c. | 30 p.c | 35 p.c. |
| 427 | All machinery composed wholly or in part of iron or steel, n.o.p., and complete parts thereof | 10 p.c. | 27½ p.c. | 35 p.c. | 15 p.c. | 27½ p.c. | 35 p.c. |
| 427a | All machinery composed wholly or in part of iron or steel, n.o.p., of a class or kind not made in Canada; complete parts of the foregoing | Free | 27½ p.c. | 35 p.c. | 15 p.c. | 27½ p.c. | 35 p.c. |
| 427e | Automatic machines for making and packaging cigarettes, not to include tobacco-preparing machines | Free | 27½ p.c. | 35 p.c. | 15 p.c. | 27½ p.c. | 35 p.c. |
| 427f | Machines for the manufacture of veneers and plywoods, viz.:—veneer clippers, veneer clipper knife jointers, veneer glue spreaders, veneer jointers, veneer lathes and veneer taping machines | Free | 10 p.c. | 35 p.c. | 15 p.c. | 27½ p.c. | 35 p.c. |
| 427g | Power-driven centrifugal oil purifiers or extractors, bowl or tube type, not to include motive power, when for use in the extracting and refining of fish oils | Free | 10 p.c. | 35 p.c. | 15 p.c. | 27½ p.c. | 35 p.c. |
| 429 | (a) Knife blades or blanks, and table forks, of iron or steel, in the rough, not handled, ground nor otherwise manufactured; and spoon blanks of iron or steel, in the flat, not further manufactured than stamped to shape | Free | 7½ p.c. | 10 p.c. | Free<br>15 p.c. | 7½ p.c.<br>27½ p.c. | 10 p.c.<br>35 p.c. |
| | (g) Razor blades; razors and complete parts thereof. | Free | 30 p.c. | 30 p.c. | Free | 30 p.c. | 30 p.c. |
| 430 | Nuts and bolts with or without threads, washers, rivets, of iron or steel, coated or not, n.o.p.; nut and bolt blanks, of iron or steel<br>.....per one hundred pounds and | 50 cts.<br>10 p.c. | 50 cts.<br>20 p.c. | 75 cts.<br>25 p.c. | 50 cts.<br>10 p.c. | 50 cts.<br>20 p.c. | 75 cts.<br>25 p.c. |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
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| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| 430a | Hinges and butts, of iron or steel, coated or not, n.o.p.; hinge and butt blanks, of iron or steel.....per one hundred pounds and | 75 cts.<br>10 p.c. | 75 cts.<br>27½ p.c. | 75 cts.<br>30 p.c. | 75 cts.<br>10 p.c. | 75 cts.<br>27½ p.c. | 75 cts.<br>30 p.c. |
| 431b | Adzes; anvils; augers; bevels, n.o.p.; bits; braces; cantdogs; chisels; cleavers; crowbars; hand drills; files; hammers; hatchets; mallets, mattocks and eyes or polls therefor; nail sets; picks and eyes or polls therefor; planes; pliers; plumb bobs, n.o.p.; punches, n.o.p.; rasps; measuring rules and tapes of all kinds; saws, saw blades and hand saw frames; screw drivers; sledges; spirit levels; spokeshaves; squares, n.o.p.; thread-cutting taps, dies and stocks; track tools; vises, n.o.p.; metal wedges; wrenches; socket wrench handles and adapters and sockets therefor..... | 10 p.c. | 35 p.c. | 35 p.c. | 10 p.c.<br>15 p.c.<br>30 p.c.<br>15 p.c. | 35 p.c.<br>25 p.c.<br>37½ p.c.<br>27½ p.c. | 35 p.c.<br>30 p.c.<br>45 p.c.<br>35 p.c. |
| 431c | Machinists' or metal workers' precision tools and measuring instruments, viz.:—Calipers, micrometers, metal protractors and squares, bevels, verniers, gauges, gauge blocks, parallels, buttons, mercury plumb bobs, dividers, trammels, scribers, centre punches, pocket speed indicators, straight edges, key seat clamps and other clamps and vises used by toolmakers for precision work, precision tools and measuring instruments, n.o.p..... | Free | 10 p.c. | 15 p.c. | 10 p.c.<br>15 p.c.<br>30 p.c.<br>15 p.c. | 35 p.c.<br>25 p.c.<br>37½ p.c.<br>27½ p.c. | 35 p.c.<br>30 p.c.<br>45 p.c.<br>35 p.c. |
| 431d | Engineers', surveyors' and draughtsmen's precision instruments and apparatus, viz.:—alidades; altazimuth surveying instruments; aneroid barometers, engineering, military and surveying; angle prisms; boards, military sketching; box sextants; clinometers; compasses; cross staff heads; curves, adjustable, irregular, railroad and ship; curvimeters; drafting instruments of all kinds, including fitted cases containing the same; dipping needles; drafting machines; heliographs; integrators; levels, tripod and hand or pocket types; levelling rods; liners, section; meters, portable, for hydraulic engineering; pantographs; planimeters; protractors; parallel | | | | | | |

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| | rulers; parallel ruling attachments; poles, ranging; pedometers and pacometers; plane tables, military and topographic; scales, flat and triangular; slide rules; splines; straight edges, steel and wooden; tacheometers; tallying machines, pocket; tee squares, steel and wooden; telemeters; theodolites; transits, tripod and hand or pocket types; triangles of all types; tripods for use with any of the foregoing instruments | Free | 10 p.c. | 15 p.c. | 15 p.c.<br>15 p.c.<br>15 p.c.<br>17½ p.c. | 25 p.c.<br>25 p.c.<br>27½ p.c.<br>20 p.c. | 30 p.c.<br>27½ p.c.<br>35 p.c.<br>25 p.c. |
| 435 | Locomotives and motor cars for railways, of a class or kind not made in Canada, and complete parts thereof, for use exclusively in mining or metallurgical operations | Free | 15 p.c. | 20 p.c. | Free | 15 p.c. | 20 p.c. |
| 438a | Automobiles and motor vehicles of all kinds, n.o.p.; chassis for the foregoing; chassis for electric trackless trolley buses<br>Provided that machines or other articles mounted on the foregoing or attached thereto for purposes other than for loading or unloading the vehicle shall be valued separately and duty assessed under the tariff items regularly applicable thereto. | Free | 17½ p.c. | 27½ p.c. | Free<br>Free<br>Free<br>Free | 22½ p.c.<br>17½ p.c.<br>30 p.c.<br>30 p.c. | 30 p.c. (438a)<br>20 p.c. (438b)<br>40 p.c. (438c)<br>40 p.c. (438f) |
| 438b | Bearings, clutch release; bearings, graphite; bearings, steel backed babbit; bushings, graphited or oil impregnated; ceramic insulator spark plug cores, not further manufactured than burned and glazed, not printed or decorated and without fittings; commutator copper segments; commutator insulating end rings; discs of hot rolled steel, spun or forged, with or without center hole, for disc wheels; distributor rotors, cam assemblies and vacuum control assemblies; door bumper shoes; electric wiring terminals, sockets, fittings and connectors; gaskets of metal and asbestos, composite; ignition contact points; keys for shafting; lenses for head, tail, dome, signal and cowl or parking lamps; lock washers; piston ring castings in the rough, with or without gates and fins removed; steel bolts capped with stainless steel; switches for lamps, and parts thereof; vulcanized fibre in sheets, rods, strips and tubing; all the foregoing being of a class or kind not made in Canada, when for use in the manufacture of the automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, or for use in the manufacture of parts thereof, or for the replace- | | | | | | |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
|---|---|---|---|---|---|---|---|
| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| | ment or repair of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424...., | Free | Free | 30 p.c. | 20 p.c.<br>20 p.c.<br>20 p.c.<br>15 p.c.<br>15 p.c.<br>5 p.c.<br>25 p.c.<br>25 p.c.<br>Free<br>15 p.c.<br>15 p.c.<br>15 p.c.<br>15 p.c.<br>50 cts.<br>and 10 p.c.<br>17½ p.c. | 27½ p.c.<br>27½ p.c.<br>27½ p.c.<br>27½ p.c.<br>22½ p.c.<br>10 p.c.<br>33⅓ p.c.<br>33⅓ p.c.<br>10 p.c.<br>25 p.c.<br>25 p.c.<br>20 p.c.<br>25 p.c.<br>50 cts.<br>20 p.c.<br>22½ p.c. | 30 p.c. (352)<br>30 p.c. (339)<br>30 p.c. (432d)<br>35 p.c. (446a)<br>25 p.c. (314)<br>15 p.c. (811)<br>37½ p.c (445f)<br>37½ p.c. (445g)<br>10 p.c. (813)<br>27½ p.c. (428a)<br>30 p.c. (445k)<br>22½ p.c. (326a)<br>27½ p.c. (390a)<br>75 cts.<br>25 p.c. (430)<br>25 p.c. (509) |
| 438c | Ammeters; arm rest and wheel housing lining of indurated fibre, pressed to shape; annual ball bearings and parts thereof; axle housings, one piece welded, machined or not; carburetors and parts thereof; chassis frames, without forgings, castings or stamped brackets attached; cigar and cigarette lighters, including base and parts thereof; control ventilator gear box; cylinder lock barrels, with or without sleeves and keys thereof; dash heat indicators; fuel pumps and parts thereof; gasoline gauges and parts thereof; hinges, finished or not, for bodies; horns, and parts thereof; instrument bezel assemblies and parts thereof; instrument board lamps; locks, electric ignition, steering gear, transmission, or combinations of such locks, and parts thereof; mouldings of metal, with nails set in position, lead filled or not; oil filters and parts thereof; oil gauges and parts thereof; pipe lines, bent to shape and equipped with fittings or not, and tubing therefor, for fuel, air or liquid, for actuating hydraulic brakes; purifiers for air and parts thereof; purifiers for oil and parts thereof; radiator grills, assembled or not, but not polished or plated, and not to include finish or decorative moulding; radiator ornaments, unplated; radiator shutter assemblies, automatic; radiator water gauges; radiator shells, not plated, nor metal finished in any degree; shackles, bearing spring and parts thereof; speedo- | | | | | | |

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| meters, and parts thereof; spring covers of metal and closing strips or shapes therefor; stampings, body, cowl, hood, fender and instrument board, of metal, in the rough, trimmed or not, but not metal finished in any degree, nor welded, rivetted, or otherwise further manufactured; starter switch assembly and parts thereof; steering wheels, and rims therefor; sun visor blanks of gypsum weather-board; thermostats and parts thereof; throttle and spark buttons assemblies; vacuum tanks; windshield wipers and parts thereof; all the foregoing being of a class or kind not made in Canada, when imported by manufacturers of the automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, for use as original equipment in the manufacture of such automobiles, motor vehicles or chassis | Free | 20 p.c. | 30 p.c. | Free<br>15 p.c.<br>30 p.c.<br>15 p.c.<br>75 cts.<br>and 10 p.c.<br>15 p.c.<br>25 p.c.<br>20 p.c.<br>15 p.c.<br>15 p.c. | Free<br>27½ p.c.<br>37½ p.c.<br>25 p.c.<br>75 cts.<br>27½ p.c.<br>22½ p.c.<br>35 p.c.<br>27½ p.c.<br>25 p.c.<br>27½ p.c. | Free (438h)<br>35 p.c. (446a)<br>45 p.c. (362)<br>30 p.c. (445k)<br>75 cts.<br>30 p.c. (430a)<br>25 p.c. (346)<br>40 p.c. (357)<br>30 p.c. (352)<br>30 p.c. (462)<br>35 p.c. (427) |
| (1) Provided, that if the above articles are imported by a manufacturer of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought does not exceed ten thousand complete automobiles, motor vehicles or chassis, and provided that not less than fifty per centum of the factory cost of production of such automobiles, motor vehicles or chassis, not to include duties and taxes, is incurred in the British Empire, the rates of duty under this item shall be | Free | Free | 25 p.c. | The present rates shown immediately above apply against all subsections of the proposed new item 438c. | | |
| (2) Provided, that if the above articles are imported by a manufacturer of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought exceeds ten thousand automobiles, motor vehicles, or chassis, and provided that not less than sixty per centum of the factory cost of production of such automobiles, motor vehicles or chassis, not to include duties and taxes, is incurred in the British Empire, the rates of duty under this item shall be | Free | Free | 25 p.c. | | | |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
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| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| | Provided that from and after March 31st, 1938, the words "sixty-five" shall be substituted for the word "sixty" in the immediately preceding proviso;<br>(3) Provided that the Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item. | | | | | | |
| 438d | Front and rear axles; brakes, clutches, internal combustion engines; steering gears; magnetos; rims for pneumatic tires larger than thirty inches by five inches; transmission assemblies; steel road wheels; and complete parts of the foregoing, all of a class or kind not made in Canada, when imported by manufacturers of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 for use only in the manufacture of motor trucks or motor truck chassis..... | Free | 17½ p.c. | 27½ p.c. | Free | 17½ p.c. | 20 p.c. (783) |
| 438e | Parts, n.o.p., for automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, not to include wireless receiving sets, electric storage batteries, parts of wood, tires and tubes or parts of which the component material of chief value is rubber:— | | | | | | |
| | (1) Brake linings, and clutch facings whether or not including metallic wires or threads:— | | | | | | |
| | (a) when made from crude asbestos of Empire origin..... | Free | 25 p.c. | 35 p.c. | Free | 22½ p.c. | 25 p.c. (312a) |
| | (b) when made from crude asbestos of non-Empire origin..... | 15 p.c. | 25 p.c. | 35 p.c. | 15 p.c. | 22½ p.c. | 25 p.c. (312) |
| | (2) Automobile and motor vehicle engines, stripped, n.o.p., and complete parts thereof, n.o.p.... | Free | 25 p.c. | 35 p.c. | 15 p.c. | 25 p.c. | 27½ p.c. (428a) |
| | (3) Parts, n.o.p., whether finished or not..... | Free | 30 p.c. | 40 p.c. | Free<br>15 p.c.<br>22½ p.c.<br>17½ p.c.<br>22½ p.c.<br>15 p.c.<br>20 p.c.<br>15 p.c.<br>30 p.c.<br>15 p.c.<br>15 p.c.<br>20 p.c. | 25 p.c.<br>25 p.c.<br>32½ p.c.<br>25 p.c.<br>30 p.c.<br>22½ p.c.<br>27½ p.c.<br>30 p.c.<br>37½ p.c.<br>25 p.c.<br>25 p.c.<br>27½ p.c. | 27½ p.c. (428b)<br>35 p.c. (192)<br>35 p.c. (199)<br>35 p.c. (322a)<br>35 p.c. (323)<br>25 p.c. (346)<br>30 p.c. (352)<br>30 p.c. (354)<br>45 p.c. (362)<br>27½ p.c. (390)<br>27½ p.c. (390a)<br>30 p.c. (392) |

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| | | | | | 22½ p.c. | 30 p.c. | 35 p.c. (394b) |
| | | | | | 22½ p.c. | 30 p.c. | 35 p.c. (404b) |
| | | | | | 15 p.c. | 27½ p.c. | 35 p.c. (427) |
| | | | | | 20 p.c. | 27½ p.c. | 30 p.c. (438e) |
| | | | | | Free | ..... | ..... (438i) |
| | | | | | 20 p.c. | 30 p.c. | 30 p.c. (445a) |
| | | | | | 25 p.c. | 33⅓ p.c. | 37½ p.c. (445f) |
| | | | | | 25 p.c. | 33⅓ p.c. | 37½ p.c. (445g) |
| | | | | | 15 p.c. | 25 p.c. | 30 p.c. (445k) |
| | | | | | 15 p.c. | 27½ p.c. | 35 p.c. (446a) |
| 438f | Hot rolled strip of iron or steel with rolled or mill edge, not being of greater value than 2⅜ cents per pound, of a class or kind not made in Canada, when imported by manufacturers of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 or by manufacturers of parts of automobiles, motor vehicles or chassis enumerated in the tariff items 438a and 424 to be used in the manufacture of such automobiles, motor vehicles or chassis, or parts thereof, in their own factories.....per ton | Free | $4.00 | $8.00 | 7½ p.c.<br>$4·00 per ton<br>Free | 15 p.c.<br>$8.00<br>$4.00 | 15 p.c. (382a)<br>$8.00 (382b)<br>$4.00 (818) |
| 445a | Electric head, side and tail lights, n.o.p.; electric torches or flashlights and complete parts therefor.. | 20 p.c. | 30 p.c. | 30 p.c. | 20 p.c. | 30 p.c. | 30 p.c. |
| 445f | Electric dynamos or generators and transformers, and complete parts thereof, n.o.p..... | 25 p.c. | 33⅓ p.c. | 37½ p.c. | 25 p.c. | 33⅓ p.c. | 37½ p.c. |
| 445g | Electric motors, and complete parts thereof, n.o.p... | 25 p.c. | 33⅓ p.c. | 37½ p.c. | 25 p.c. | 33⅓ p.c. | 37½ p.c. |
| 445k | Electric apparatus, and complete parts thereof, n.o.p.. | 15 p.c. | 25 p.c. | 30 p.c. | 15 p.c. | 25 p.c. | 30 p.c. |
| 445m | Flame proof electric switch gear, for use underground in coal mines, and complete parts thereof..... | Free | 20 p.c. | 30 p.c. | Free | 20 p.c. | 30 p.c. |
| 446a | Manufactures, articles or wares of iron or steel or of which iron or steel or both are the component materials of chief value, n.o.p..... | 10 p.c. | 27½ p.c. | 35 p.c. | 15 p.c. | 27½ p.c. | 35 p.c. |
| 447a | Sand cast rolls and chilled cast iron rolls imported by proprietors of rolling mills for use exclusively in rolling iron or steel, or by manufacturers of paper for use exclusively in manufacturing paper in their own factories..... | Free | Free | Free | Free<br>15 p.c. | Free<br>27½ p.c. | Free<br>35 p.c. |
| 447b | Forged steel rolls, hardened and ground, imported by proprietors of rolling mills for use exclusively in rolling non-ferrous metals..... | Free | Free | Free | Free<br>15 p.c. | Free<br>27½ p.c. | Free<br>35 p.c. |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
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| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| 462 | Philosophical, photographic, mathematical and optical instruments, n.o.p.; speedometers, cyclometers and pedometers, n.o.p.; complete parts of all the foregoing | 15 p.c. | 25 p.c. | 30 p.c. | 15 p.c. | 25 p.c. | 30 p.c. |
| 462a | Photographic cameras and equipment for use by professional photographers and commercial photo-finishers in their own business, as follows:— | | | | | | |
| | Cameras for professional purposes, for making negatives 4¾ inches by 6½ inches and larger, and the following accessories for use with such cameras: lenses, shutters, exposure meters, range finders, film and plate holders, lens hoods, lens boards, ground glass carriages, reducing backs, reversible adapter backs, lantern slide attachments, film sheaths, combination paper and plate holders, kits, carrying cases, camera stands, camera tripods, camera tripod tops, vignetters, diffusion disks, diffusion disk holders, colour filters, colour filter holders, polarizing screens, polarizing screen holders and backgrounds | Free | Free | Free | 25 p.c.<br>15 p.c.<br>15 p.c.<br>15 p.c.<br>20 p.c. | 35 p.c.<br>27½ p.c.<br>27½ p.c.<br>25 p.c.<br>40 p.c. | 35 p.c. (288)<br>35 p.c. (427)<br>35 p.c. (446a)<br>30 p.c. (462)<br>40 p.c. (622) |
| | Printers, enlargers, heaters, dryers, mounting presses, print washers, automatic film processers, printing frames and tanks for developing, fixing and washing | | | | | | |
| 463 | Magic lanterns and slides therefor, n.o.p. | Free | 20 p.c. | 25 p.c. | Free | 20 p.c. | 25 p.c. |
| 473 | Plates for printing in two or more colours, including electrotypes, nickeltypes and all engravings on steel or other metal, for use exclusively in printing, n.o.p. | Free | 15 p.c. | 20 p.c. | Free | 15 p.c. | 20 p.c. |
| 473a | Printing plates of all kinds for periodical publications enjoying second-class mailing privileges, and matrices, metal bases and copper shells therefor | Free | 7½ p.c. | 25 p.c. | 10 p.c.<br>Free | 15 p.c.<br>15 p.c. | 20 p.c.<br>20 p.c. |
| 476a | Glassware and other scientific apparatus for laboratory work in public hospitals; chairs and tables for surgical operating purposes, and complete parts thereof; infant incubators and complete parts there- | | | | | | |

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| | of; electro cardiographs and complete parts thereof, and sensitized film and paper for use therein; apparatus for sterilizing purposes, including bedpan washers and sterilizers but not including washing nor laundry machines; all for the use of any public hospital, under regulations prescribed by the Minister | Free | Free | Free | Free<br>15 p.c.<br>20 p.c.<br>20 p.c. | Free<br>25 p.c.<br>30 p.c.<br>30 p.c. | Free<br>30 p.c.<br>45 p.c.<br>30 p.c. |
| 494b | Cork blocks, boards, planks, slabs, rods or tubes, produced from cork waste or from granulated or ground cork, when for use in Canadian manufactures | Free | Free | Free | Free<br>Free | Free<br>17½ p.c. | Free<br>20 p.c. |
| 505 | Sawn boards, planks and deals planed or dressed on one or both sides, when the edges thereof are jointed or tongued and grooved, n.o.p. | 17½ p.c. | 22½ p.c. | 25 p.c. | 17½ p.c. | 22½ p.c. | 25 p.c. |
| 505a | Hardwood flooring, tongued and/or grooved, or jointed, viz.:—beech, birch, maple and oak | 17½ p.c. | 22½ p.c. | 25 p.c. | 17½ p.c. | 22½ p.c. | 25 p.c. |
| 522 | Rovings, yarns and warps wholly of cotton, not more advanced than singles, n.o.p.<br>and, per pound | 12½ p.c. | 15 p.c.<br>3½ cts. | 22½ p.c.<br>4 cts. | 12½ p.c.<br>2 cts. | 15 p.c.<br>3½ cts. | 22½ p.c.<br>4 cts. |
| 522c | Rovings, yarns and warps wholly of cotton, including threads, cords and twines generally used for sewing, stitching, packaging and other purposes, n.o.p.; cotton yarns, wholly or partially covered with metallic strip, generally known as tinsel thread...<br>and, per pound | 15 p.c. | 22½ p.c.<br>3½ cts. | 25 p.c.<br>4 cts. | 15 p.c.<br>2 cts. | 22½ p.c.<br>3½ cts. | 25 p.c.<br>4 cts. |
| 523 | Woven fabrics, wholly of cotton, not bleached, mercerized nor coloured, n.o.p., and seamless cotton bags<br>and, per pound | 15 p.c. | 20 p.c.<br>3½ cts. | 25 p.c.<br>4 cts. | 17½ p.c.<br>2 cts. | 20 p.c.<br>3½ cts. | 25 p.c.<br>4 cts. |
| 523a | Woven fabrics, wholly of cotton, bleached or mercerized, not coloured, n.o.p.<br>and, per pound | 20 p.c. | 22½ p.c.<br>3½ cts. | 27½ p.c.<br>4 cts. | 20 p.c.<br>2 cts. | 22½ p.c.<br>3½ cts. | 27½ p.c.<br>4 cts. |
| 523b | Woven fabrics, wholly of cotton, printed, dyed or coloured, n.o.p.<br>and, per pound | 22½ p.c. | 27½ p.c.<br>3½ cts. | 32½ p.c.<br>4 cts. | 22½ p.c.<br>2 cts. | 27½ p.c.<br>3½ cts. | 32½ p.c.<br>4 cts. |
| 529 | Embroideries, lace, nets, nettings, bobinet, n.o.p., fringes and tassels, wholly of cotton<br>and, per pound | 20 p.c. | 27½ p.c.<br>3½ cts. | 30 p.c.<br>4 cts. | 20 p.c.<br>2 cts. | 27½ p.c.<br>3½ cts. | 30 p.c.<br>4 cts. |
| 529a | Lace and embroideries wholly of cotton, not coloured, imported by manufacturers for use exclusively in the manufacture of clothing in their own factories | 7½ p.c. | 12½ p.c. | 20 p.c. | 12½ p.c. | 17½ p.c. | 20 p.c. |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
|---|---|---|---|---|---|---|---|
| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| 532 | Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly of cotton, n.o.p.; fabrics wholly of cotton, coated or impregnated, n.o.p. | 25 p.c. | 30 p.c. | 35 p.c. | 25 p.c. | 30 p.c. | 35 p.c. |
| | and, per pound | ..... | 1½ cts. | 4 cts. | 2 cts. | 3½ cts. | 4 cts. |
| 558b | Rovings, yarns and warps wholly of artificial silk or similar synthetic fibres, produced by chemical processes, not more advanced than singles, not coloured, with not more than seven turns to the inch, under such regulations as the Minister may prescribe: | | | | | | |
| | *(a)* Produced from cellulose acetate..... | 5 p.c. | 30 p.c. | 35 p.c. | 20 p.c. | 30 p.c. | 35 p.c. |
| | Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound. | ..... | 28 cts. | 28 cts. | 20 cts. | 28 cts. | 28 cts. |
| | *(b)* N.o.p..... | 20 p.c. | 30 p.c. | 35 p.c. | 20 p.c. | 30 p.c. | 35 p.c. |
| | Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound. | ..... | 28 cts. | 28 cts. | 20 cts. | 28 cts. | 28 cts. |
| 558d | Rovings, yarns and warps wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes, n.o.p., including threads, cords or twist for sewing, embroidering or other purposes, not to contain silk; artificial silk yarns wholly or partially covered with metallic strip, one pound of which shall contain not less than 10,000 yards; under such regulations as the Minister may prescribe:— | | | | | | |
| | *(a)* Produced wholly from cellulose acetate..... | 7½ p.c. | 30 p.c. | 35 p.c. | 25 p.c. | 30 p.c. | 35 p.c. |
| | Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound. | ..... | 28 cts. | 28 cts. | 28 cts. | 28 cts. | 28 cts. |
| | *(b)* N.o.p..... | 25 p.c. | 30 p.c. | 35 p.c. | 25 p.c. | 30 p.c. | 35 p.c. |
| | Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than.....per pound. | ..... | 28 cts. | 28 cts. | 28 cts. | 28 cts. | 28 cts. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 561 | Woven fabrics wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes, not to contain wool, not including fabrics in chief part by weight of silk, n.o.p. | 30 p.c. | 40 p.c. | 45 p.c. | 27½ p.c. | 40 p.c. | 45 p.c. |
| | and, per pound | ..... | 40 cts. | 40 cts. | 30 cts. | 40 cts. | 40 cts. |
| 564a | Irish poplin, composed wholly of silk and wool, not exceeding twenty-five inches in width, imported in the web in lengths of not less than five yards each, under such regulations as the Minister may prescribe, by manufacturers of neckties, scarves or mufflers for use exclusively in the manufacture of such articles in their own factories | 20 p.c. | ..... | ..... | 27½ p.c. | 35 p.c. | 40 p.c. |
| | | | | | and | ..... | per pound |
| | | | | | 17 cts. | 30 cts. | 45 cts. |
| 567a | Clothing, wearing apparel and articles, made from woven fabrics and all textile manufactures, wholly or partially manufactured, n.o.p., of which the component of chief value is artificial silk or similar synthetic fibres produced by chemical processes | 25 p.c. | 35 p.c. | 50 p.c. | 30 p.c. | 40 p.c. | 50 p.c. |
| | and, per ounce | ..... | 5 cts. | 7 cts. | ..... | 7 cts. | 7 cts. |
| 569c | Hat braids, of a class or kind not made in Canada, whether woven, knitted or plaited, not exceeding six inches in width, imported for use exclusively in the manufacture of hat bodies or shapes, but not for use in the ornamentation or trimming of such bodies or shapes, under regulations prescribed by the Minister | Free | Free | Free | Free | Free | Free |
| 569e | Miners' safety helmets for use exclusively in mining operations, firemen's helmets and sand-blast helmets, of a class or kind not made in Canada | Free | Free | Free | Free | Free | Free |
| | | | | | 22½ p.c. | 30 p.c. | 35 p.c. |
| | | | | | and | ..... | per dozen, |
| | | | | | 75 cts. | $1.50 | $1.50 |
| | | | | | 15 p.c. | 25 p.c. | 27½ p.c. |
| 603 | Fur skins, wholly or partially dressed, n.o.p. | 10 p.c. | 15 p.c. | 15 p.c. | 10 p.c. | 15 p.c. | 15 p.c. |
| | Provided, that the duty on hare or rabbit skins under the General Tariff shall not be less than | ..... | ..... | 72 cts. | ..... | 72 cts. | 72 cts. |
| | per dozen | | | | | | |
| 607 Part 2 | Leather, as hereunder described, but not to include suedes, Cabrettas, Spanish capes or African capes, when imported by manufacturers of gloves or leather clothing, for use exclusively in manufacturing gloves or leather clothing in their own factories, viz.:— | | | | | | |
| | (i) Made from sheepskins | 5 p.c. | 7½ p.c. | 20 p.c. | 5 p.c. | 7½ p.c. | 20 p.c. |
| | (ii) N.o.p. | 5 p.c. | 15 p.c. | 20 p.c. | 5 p.c. | 7½ p.c. | 20 p.c. |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
|---|---|---|---|---|---|---|---|
| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| 618a | Comb blanks of hard rubber, not further manufactured than pressed and vulcanized, when imported by manufacturers of hard rubber combs for use exclusively in the manufacture of such hard rubber combs in their own factories..... | Free | 7½ p.c. | 10 p.c. | Free | 7½ p.c. | 10 p.c. |
| 657 | Mouthpieces of hard rubber in the rough, aluminum pipe fitments, pipe bowls moulded from briarwood dust, and briarwood bowls not further processed than frazed, when imported by manufacturers of tobacco pipes for use exclusively in the manufacture of such pipes in their own factories..... | Free | 15 p.c. | 25 p.c. | 15 p.c.<br>15 p.c.<br>15 p.c.<br>17½ p.c. | 30 p.c.<br>25 p.c.<br>25 p.c.<br>20 p.c. | 30 p.c.<br>27½ p.c.<br>25 p.c.<br>25 p.c. |
| 657a | Cinematograph or moving picture films, positives, one and one-eighth of an inch in width and over, n.o.p.....per linear foot | 1½ cts. | 3 cts. | 3 cts. | 1½ cts. | 3 cts. | 3 cts. |
| 663c | Soya beans, soya bean oil cake and soya bean oil meal, when imported by manufacturers of animal and poultry feeds or of fertilizers for use exclusively in the manufacture of animal or poultry feeds or fertilizers in their own factories..... | Free | Free | Free | Free<br>15 p.c. | Free<br>25 p.c. | Free<br>25 p.c. |
| 663d | Soya bean oil meal and soya bean flour, inedible, when imported by manufacturers of glues or adhesives for use exclusively in the manufacture of such glues or adhesives, in their own factories... | Free | Free | Free | 15 p.c. | 25 p.c. | 25 p.c. |
| 663e | Sea-weeds or sea-plants, charred, whether powdered or not, for use exclusively in the feeding of animals.. | Free | 25 p.c. | 25 p.c. | 15 p.c. | 25 p.c. | 25 p.c. |
| 695 | Paintings in oil or water colours and pastels, valued at less than twenty dollars each, n.o.p..... | 15 p.c. | 22½ p.c. | 25 p.c. | 15 p.c. | 22½ p.c. | 25 p.c. |
| 695b | Hand-made drawings, sketches or designs, but not including patterns, viz.:—drawings, sketches or designs of wearing apparel, including boots and shoes, wall or floor coverings and textile fabrics, when imported in single copies of each such drawing, sketch or design for use in the manufacture of wearing apparel, boots or shoes, textile fabrics, wall or floor coverings, or of patterns..... | Free | Free | Free | Free | Free | Free |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 696a | Educational moving picture films of all widths, silent or sound, positive or negative, and sound disks or records designed for use with such films, when certified by the Minister as entitled to exemption from Customs duty under the Convention for Facilitating the International Circulation of Films of an Educational Character; subject to such regulations as the Minister may prescribe..... | Free | Free | Free | 20 p.c.<br>Free<br>1½ cts. | 30 p.c.<br>20 p.c.<br>3 cts. | 35 p.c.<br>25 p.c.<br>3 cts. |
| 698 | All articles specially designed for the use of the blind, whether for educational, recreational, industrial, personal or other purposes, when for blind persons and imported by, or on the order or certificate of, the Canadian National Institute for the Blind, or other bona fide institution or association for the blind..... | Free | Free | Free | Free<br>(Dutiable at varying rates) | Free | Free |
| 703 | (a) Travellers' baggage, under regulations prescribed by the Minister..... | Free | Free | Free | Free | Free | Free |
| | (b) Goods valued at not more than one hundred dollars included in the baggage accompanying residents of Canada returning from abroad after an absence from Canada of not less than forty-eight hours and acquired by them for personal or household use or as souvenirs or gifts, but not bought on commission or as an accommodation for other persons or for sale, under regulations prescribed by the Minister..... Provided that a resident of Canada shall not be entitled to the exemption herein granted within a period of four months from the date of the last exemption allowed, nor shall the exemption be allowed on alcoholic beverages in excess of one quart, or on tobacco in excess of fifty cigars, two hundred cigarettes and two pounds of manufactured tobacco. | Free | Free | Free | (No previous classification; dutiable according to material, etc.) | | |
| 802 | Materials and parts as hereunder specified, when imported by manufacturers of umbrellas, parasols, sunshades, walking sticks or canes, under such regulations as the Minister may prescribe, for use in the manufacture of such articles in their own factories:— | | | | | | |
| | (a) Mounts, sticks, rods, ribs, runners, rings, caps, notches, tips, ferrules and assembled frames..... | Free | 10 p.c. | 20 p.c. | Free<br>Free<br>Free | 17½ p.c.<br>12½ p.c.<br>5 p.c. | 20 p.c.<br>15 p.c.<br>7½ p.c. |
| | (b) Umbrella-covering fabrics of a kind not made in Canada, whether or not specially treated but not further manufactured than with hemmed | | | | | | |

| Tariff Item | — | British Preferential Tariff | Intermediate Tariff | General Tariff | Present Rates | | |
|---|---|---|---|---|---|---|---|
| | | | | | B.P. Tariff | Intermediate Tariff | General Tariff |
| | selvedges, when imported in lengths of not less than ten yards each, with or without natural selvedges | Free | 10 p.c. | 20 p.c. | 10 p.c.<br>27½ p.c.<br>and<br>10 cts. | 20 p.c.<br>40 p.c.<br>10 cts. | 25 p.c.<br>45 p.c.<br>per yard,<br>10 cts. |
| 805 | Materials to be used as adhesives in cementing together glass sheets, when imported by manufacturers of safety or non-shatterable laminated glass, for use exclusively in the manufacture of such glass in their own factories | Free | Free | 25 p.c. | 27½ p.c.<br>and<br>30 cts. | 40 p.c.<br>40 cts. | 45 p.c.<br>per pound,<br>40 cts. |
| | | | | | 15 p.c. | 25 p.c. | 25 p.c. |

6. Resolved, that schedule B to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by striking thereout tariff items 1030 and 1055, the enumerations of goods and the rates of drawback of customs duties set opposite to each of the said items, and by inserting the following items, enumerations and rates of drawback of customs duties in said schedule B:—

| Item No. | Goods | When Subject to Drawback | Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback |
|---|---|---|---|
| 1011 | Rhinestones, settings for rhinestones, metal spots and beads. | When imported by manufacturers of dress trimmings and used exclusively in their own factories in the manufacture of dresses and dress trimmings... | 99 p.c. |
| 1025 | Hot rolled hexagon bars of Bessemer steel not being of greater value than 4 cents per pound. | When used in the manufacture of cold drawn bars..... | 99 p.c. |
| 1030 | (a) Materials, n.o.p..... | When used exclusively in the manufacture of articles enumerated in Tariff Item 236..... | 50 p.c. |
| | (b) Woven fabrics, wholly of cotton, not bleached, mercerized nor coloured, weighing not more than seven and one-half pounds per one hundred square yards..... | When imported under the British Preferential Tariff and used exclusively in the manufacture of articles enumerated in Tariff item 236..... | 99 p.c. |
| 1052 | Machinery, new or used, of a class or kind not made in Canada. | When imported by manufacturers of automobiles and motor vehicles or of automobile and motor vehicle parts to be used in the production of such automobiles and motor vehicles or automobile and motor vehicle parts..... | 99 p.c. |
| 1060 | Paper of all kinds..... | When used by the publisher or printer in Canada in the production of periodical publications enjoying second-class mailing privileges..... | 50 p.c. |

7. Resolved, that schedule C to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by adding thereto the following items:—

| | |
|---|---|
| 1218 | Used or second-hand periodical publications:<br>Provided, that this item does not affect in any manner periodical publications:—<br>*(a)* Sent, gratis, to Canada for charitable purposes;<br>*(b)* Sent to persons in Canada as casual donations by friends abroad;<br>*(c)* Imported for personal or for institutional use, and not for resale;<br>*(d)* Imported by or for paper mills for use as stock in the manufacture of paper. |
| 1219 | Used or second-hand mattresses or materials therefrom:<br>Provided, that this item does not affect in any manner:<br>*(a)* Mattresses imported under Tariff Items 704, 705, 706, 707, 708, or under tourists' or travellers' vehicle permits;<br>*(b)* Materials from used or second-hand mattresses, when imported after having been cleaned and fumigated, under such regulations as the Minister may prescribe, accompanied by such certificates as he may designate. |

8. Resolved, That any enactment founded upon the foregoing resolutions to amend the Customs Tariff or schedules thereto shall be deemed to have come into force on the 2nd day of May, one thousand nine hundred and thirty six, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, there has grown up in this country a custom of not proceeding with the budget debate promptly on the conclusion of the address by the Finance minister. In the early days of the history of the dominion the debate was immediately proceeded with, but in view of the fact that a large portion of the budget speech, notably that comprising all the tariff changes, has not been read but has been placed on Hansard, where we shall have to read it in order to become familiar with the material contained in the tables and the details of the resolutions, it is obvious that the debate could not usefully be proceeded with now. I had intended, had the changes not been so extensive, to proceed at once, but from the very nature of the circumstances I shall be compelled to move now the adjournment of the debate. I do not know when it would be most convenient to resume it, but whatever suits the convenience of the government will be satisfactory to me.

Motion agreed to and debate adjourned.

Mr. MACKENZIE KING: As to proceeding with the debate on the budget, the government thought of proceeding on Monday, but if it would better suit the convenience of my right hon. friend we will make it Tuesday.

Mr. BENNETT: I greatly appreciate the courtesy of the right hon. gentleman. I think the budget speech last year was delivered on a Thursday and we continued the debate on the following Tuesday, but it is quite immaterial whether this debate is resumed on Tuesday or Monday. If Tuesday is quite as satisfactory to the government we can make it Tuesday, but if the government prefers to go on with it on Monday we can proceed with it on Monday.

Mr. MACKENZIE KING: I think, Mr. Speaker, it would meet with the general approval of the house if you would now call it six o'clock.

At six o'clock the house took recess.

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## After Recess

The house resumed at eight o'clock.

### FISHERIES ACT AMENDMENT

On the order:

Resuming debate on the motion of Mr. Reid for the second reading of Bill No. 20, to amend the Fisheries Act, 1932.

[Mr. Dunning.]

Mr. REID: When the house was last considering this bill the Minister of Fisheries (Mr. Michaud) had not completed his remarks and I believe it was his desire that it should stand over until he had an opportunity to make a further reply.

Motion stands.

### SUPPLY

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

DEPARTMENT OF MARINE

Other projects—to provide for the construction, repair and replacement of aids to navigation and buildings and structures used in connection therewith, $379,875.

Mr. STEWART: Could the minister give us some details of this vote?

Hon. C. D. HOWE (Minister of Marine): This refers to a large number of items, chiefly repairs to lighthouses and work of that sort, which have been deferred for a number of years due to measures of economy. They do not appear in the main estimates of this year for the same reason, but in view of the fact that the work would be about seventy-five per cent labour, which would be distributed among a class of people who are very badly in need of help, namely the fishermen and those people living along our seacoasts and inland waters, it was thought that this would be an opportune time to do this necessary work.

Mr. STEWART: There is some provision for new construction; has the minister any information with regard to that?

Mr. CLARKE (Rosedale): Will any of this money be spent on inland waters?

Mr. HOWE: Yes.

Mr. CLARKE (Rosedale): How much?

Mr. HOWE: I will give the figures for the different provinces. In Nova Scotia the amount to be expended totals $99,000; the total for the Charlottetown, Prince Edward Island agency is $11,800; for the New Brunswick agency, $31,625. The amount for the Quebec agency totals $17,500, which will cover work along the lower St. Lawrence river, while the $24,000 allotted to the Montreal agency will cover work on the upper St. Lawrence. The amount allotted to the Ontario agency is $53,500, which will cover work on lake Ontario and lake Erie.

Mr. CLARKE Rosedale): Will it go no further than lake Erie?

Mr. HOWE: It will extend up to lake Superior. All the lakes are under the Ontario agency. The amount allotted to the British Columbia agency is $32,450.

Mr. LENNARD: Are any repairs being done this year to the piers at Hamilton beach? The minister may not be able to furnish this information immediately and perhaps he can give it to me later on.

Mr. HOWE: This vote does not cover canals, which would come under the Department of Railways and Canals. This is a Department of Marine vote.

Mr. WOODSWORTH: Is any provision being made to furnish greater protection to boats between the mouth of the Red river and the pleasure resorts at the south of lake Winnipeg? The lake at that point is treacherous and a number of lives have been lost. Representations have been made to me by the board of trade of Winnipeg and others asking that the small expenditure necessary be made by the department to make this end of the lake a great deal safer.

Mr. HOWE: Two or three lights are to be built at Winnipeg Beach under this vote. My officials believe that these will give the required aids to navigation on lake Winnipeg.

Mr. WOODSWORTH: Would it be possible to have some sort of telephone service or signals to give warning of approaching storms?

Mr. HOWE: The matter of signals has been considered by the lighthouse board, but that board has not recommended them and they are not included. I may say that this lighthouse board is made up of the senior officials of the Department of Marine and others. It passes on all applications for lights, signals or anything in the way of aids to navigation, and ordinarily unless the application passes the board no appropriation is made.

Mr. MacNEIL: Does this item provide for the maintenance of navigation signals? I have reference to the difficulties that arose recently in connection with needed repairs to navigation signals in the port of Vancouver. These signals went out of operation recently and one of the West Vancouver ferries ran aground. It took several days to secure the services of an expert from Victoria. I should like to know if provisions are being made whereby these signals may be quickly repaired should they go out of order, particularly during the foggy season.

Mr. HOWE: I may say that the repairs mentioned by my hon. friend have been made already. This vote includes $15,000 for rebuilding Burnaby shoals beacon.

Mr. MacNEIL: Will there also be available expert repair men for immediate repairs of any breakdowns in the signals?

Mr. HOWE: Arrangements have been made with the Vancouver harbour commissioners that any repairs required to the lights, even though they are not within the jurisdiction of the harbour, will in future be attended to by the mechanics of the Vancouver harbour commission. We think that will be quite an improvement.

Mr. CLARKE (Rosedale): Will any proportion of this amount be spent in Toronto harbour?

Mr. HOWE: There is no amount in this item for Toronto harbour.

Mr. NEILL: The amount allowed to British Columbia, I understood, was $32,000.

Mr. HOWE: $32,450.

Mr. NEILL: One item alone has $15,000 earmarked for it. That does not leave very much for the numerous aids required in the district I represent and that of Skeena. It is evident that the minister has not allowed —at least I ask him if he has considered— the removal of Ripple rock in Seymour narrows? That would cost a lot of money, I admit, but it is a necessary undertaking. Some day, if the matter is not attended to, it is going to cost an enormous loss of life. The rock is submerged about ten feet at low tide. A heavy current runs through there; there is a side current which comes in from a side channel and which tends to drift boats over on to this rock; and all boats of any size, unless they are very powerful, have to wait perhaps five or six hours in order to fit the tide, because they can go in only on slack water, which is a very short time. Some years ago an American boat went up there, struck a rock and pierced her bottom. Luckily they happened to be able to beach her without loss of life. But traffic there is increasing all the time; there are more boats, and the pressure of keeping up schedules compels them to take a greater chance. Some day a most disastrous marine accident is going to occur there. I have not taken this up with the present minister, but in years gone by I have repeatedly put it up to past governments, and they have all promised consideration. I admit that a large sum would be required. I believe that at one time shipping interests were so much

concerned that the United States government made a suggestion that they share part of the expense of the work, because their traffic used the Seymour narrows so much and the danger was so great. But the Canadian government of that time did not think it would be dignified to accept such an offer, or there was some other reason. But if the department is spending money now in a large way for work of that kind I suggest that, if it is not too late, the minister might at least consider that project. I am sure that he will have records with full information on file in his office.

Mr. HOWE: The item in question was carefully considered but it was left out for two reasons. One is because it would cost somewhere between $300,000 and $500,000, and the second is that it is work which requires very little labour. In this particular schedule we have taken only items where not less than fifty per cent of the expenditure is labour. The purpose of this estimate is to furnish some help to the people along the shore who have been having a bad time. But I shall be glad to look into the matter further and perhaps at some future time under another program we shall be able to do the work. My officers realize that it is quite necessary.

Mr. NEILL: I thank the minister for his promise. I admit that a great deal of labour would not be involved, but I think his information regarding the cost is inaccurate. I believe it could be done for $150,000. We had, I think estimates of that cost. I know there are engineers' estimates in the department; whatever their amount is would no doubt be correct. I am speaking only from memory of some years ago, but I thought it did not exceed $150,000.

Mr. MacNEIL: Has provision been made n this item for the repair of floats at the smaller settlements along the coast to enable steamships to call?

Mr. HOWE: The Department of Public Works has charge of all the floats on this island.

Item agreed to.

To provide for the reconditioning and conversion of government steamers, $175,000.

Mr. NEILL: Does this cover any provision for replacing the boat called the Newington, on the Pacific coast? It is a lighthouse tender.

Mr. HOWE: Yes, it does. This is a constructive item, and it is one that I have sponsored personally. We find that we have in the Department of Marine a great number of boats, many of which are over twenty years old and in bad condition. The objection that I found to this work of the department was that all these boats were for special purposes, and after they had performed their little service they were through for the season. The purpose of this item is to revamp several boats and allow them to serve a double purpose. Each boat that is revamped will serve its present purpose and one other. We have now at Sorel a suitable boat which we are going to recondition to replace the Newington. We intend to put in a double bottom, make it into a first-class boat and send it to Prince Rupert. It has ample power and cruising range, and with a few alterations will be very suitable to take the place of the Newington.

Mr. NEILL: That is gratifying, because this has been a long-felt want; the service is requiring more boats all the time. When may we expect to have that boat on the Pacific?

Mr. HOWE: We hope to finish the alterations this summer. I should think it will be round there this fall, in September or October.

Mr. BENNETT: Which boat is that?

Mr. HOWE: It is coal barge No. 7.

Mr. NEILL: I suggest that it be given a proper name, appropriate to the west coast where it is going to operate. It might be called the Alberni instead of being designated by a number.

Mr. HOWE: I shall be glad to consider that.

Mr. BENNETT: Beyond that, what are the particulars of the $175,000? Has the minister the particulars?

Mr. HOWE: Yes. It is intended to take the ice-breaker Saurel, do away with its palatial passenger accommodation and make it into a buoy boat as well as an ice-breaker. As we know, it has tremendous power. With a few alterations and some additional equipment it will be able to handle buoys and it will take the place of the Druid, which is a very old boat, and expensive to operate.

Mr. BENNETT: What is it estimated that it will cost?

Mr. HOWE: That cost is $50,000. Then there is provision for the refitting of the Dollard. The Dollard is a buoy boat operating out of Saint John. By revamping the boilers and giving it greater cruising range it will do its own work and also the work now handled by the Laurentian, a second buoy boat. We have mentioned coal barge No. 7,

which will replace the Newington. We have in Quebec a tug called the Citadelle, which is fitted up as a fire tug. It has never thrown a stream of water. It is a very powerful tug. One of its purposes was to turn the Empress of Britain, but private tugs have come into Quebec to do the work to the satisfaction of the Canadian Pacific; they say that they have no further use for the Citadelle. We will have a separate fire tug which will do the work as well as the Citadelle. We propose to refit the accommodation so that it can replace the Jalobert, now used as the pilot boat at Father Point. It is adequate for that service, and in winter months after its bow has been strengthened, it can be used on the Nova Scotia coast for ice-breaking in the harbours there. It is a lighter boat than the one now in use; I am told that it will be quite adequate for this work, and that a considerable saving will be made.

Mr. HARTIGAN: What was the amount again?

Mr. HOWE: It was $50,000.

Mr. HARTIGAN: Is it the intention of the minister to abandon the Laurentian?

Mr. HOWE: Yes, after we have been satisfied that the Dollard can do the service adequately we intend to lay up the Laurentian.

Mr. BENNETT: The changes mentioned by the minister are changes that we considered many months ago, I do not say in detail, but in the broad principle. While I am not an expert, from the evidence that was presented to me I was of opinion in connection with these old steamers, anywhere from ten to twenty or twenty-five years old—I think that is the oldest—that to undertake to rebuild a boat constructed for a special purpose, and to reboiler her, having regard to changed conditions in regard to the production of steam and the utilization of other mechanical devices for the production of motive power, was a doubtful venture. For instance, modern science has made great improvements in even the last ten years. In connection with boats for the purpose of taking up and putting down buoys, for example, we have had tremendous changes since the first boat was built for that purpose. I noticed that the last boat I saw, built for that class of work, was of entirely different construction from the one I saw many years before. The question of marine equipment, such as cranes, and the rapidity with which power can be applied to windlasses and capstans for the purpose of moving a boat, and that sort of thing, made me doubt whether it was sound economy, apart from anything else, to attempt to recondition these boats. The minister says that he has satisfied himself on the point, and obviously his training has been more closely allied to matters of this kind than mine, but I certainly doubt whether it is sound economy to undertake what he says is being done. Certainly these boats cannot work in the winter if they are equipped only for lifting and putting down the buoys in the St. Lawrence, because the buoys are taken up in the fall and put down in the spring, and a special boat for that purpose cannot be utilized in the winter time for general purposes in Nova Scotia or anywhere else. In other places, where there are continuously sounding buoys, spar buoys and matters of that kind constantly in place, it is the duty of these boats to see that such buoys do not move out of place so that they become faulty aids to navigation. If the minister has satisfied himself, obviously I can only point out to him that the effort we made to see how some of these steamers might be repaired at not too great a cost induced me to believe that for the purposes the minister has suggested it would be sound economy to build new boats. That is all I desire to say in that regard.

Mr. HOWE: We are fortunate, I think, in having in the Department of Marine, in charge at Sorel, Mr. David Carswell, who was appointed by the late government. He is an able shipbuilder; I know him very well and I have great confidence in him. I might point out to my right hon. friend that the boats we are proposing to remodel are our newest boats. For instance, the Saurel is a splendid ice-breaker, but once it is through breaking ice we have no use for it unless, perhaps, it may be used to carry the governor general.

Mr. BENNETT: It took him to the Magdalen islands.

Mr. HOWE: Yes. It is a splendid boat, and it is a pity that it can work only for a month in the spring, breaking ice, and for a month in the fall, keeping the channel open.

Mr. BENNETT: The N. B. McLean is in the same class, except that it is sent to Hudson bay.

Mr. HOWE: Yes. The Saurel is our second best ice-breaker and we feel that if we can keep it in service during the summer, if it will do the work of another boat, it is good economy to spend $50,000 on it for equip-

ment. I may say that the Citadelle is practically the newest boat we have; it is almost a brand new tug, and its earnings last year were $600. As far as a fire tug goes, a much smaller boat with less power is equally useful, because it must have steam up twenty-four hours a day. Otherwise its only duty is to pump water in case of fire, so in replacing that boat we are releasing a splendid ship which we can use pretty well the year round as a combination pilot boat and ice-breaker, for the small amount of ice-breaking required along the Nova Scotia coast. We feel that in this way we can keep that boat occupied twelve months a year.

Mr. BENNETT: I think I should say to the minister that I do not believe it is sound economy to eliminate entirely the maintenance of a boat for fire protection in Quebec, as long as we have the present type of ships coming there and tying up to the docks and the number of passengers who are landed there. My inquiries, both on this and on the other side of the water, satisfied me that although it might look expensive, nevertheless the maintenance of a fire boat seemed almost essential. The minister knows the great discussion that has taken place over the question of a fire boat at Quebec. The Citadelle, as he says, was not intended originally as a fire boat, but she was provided with equipment which enables her to throw a stream of water well over the sheds at Wolfe's cove, according to my memory, though I speak subject to correction. Only a few months ago I was discussing the matter of fire boat protection in these harbours, and it appears to be the universal opinion that you must have it. In New York, as the minister probably knows better than I do a great deal of money has been thus used; this is one of the matters to which they have paid great attention, and I think it has a profound effect, if I might use that word, upon the whole question of insurance as dealt with by Lloyd's and other world underwriters. I merely mention this because, when we came into office and during succeeding years, discussions regarding a fire boat at Quebec were numerous. Ultimately this boat was equipped for that purpose.

Mr. HOWE: I should like to make it quite clear that we are not taking away from Quebec anything in the way of fire protection. We are sending there a boat not nearly as heavily engined as the Citadelle but we are transferring all the fine pumps and monitors from the Citadelle to this smaller boat.

Mr. BENNETT: Will she carry them?

[Mr. Howe.]

Mr. HOWE: Yes, she is quite capable of carrying them, and this will have the effect of releasing the Citadelle for other work.

Mr. KINLEY: With regard to the suggestion of the leader of the opposition concerning the advisability of continuing steam power on these boats, I think it is a fair statement to say that older engineers in this country are partial to steam, from long acquaintance, and that the advent of Diesel power perhaps is not received as favourably as it would be by younger men. Whether these boats should be refitted with steam power is a matter for the technical department. I am glad of one thing, however, that we shall have more ice-breaking facilities on the coast of Nova Scotia, because many times during last winter we found that neither the Marine department nor the Fisheries department had a boat available to do the work along our coast.

There is another suggestion that I might make. The coast of Nova Scotia extends for quite a distance, and Halifax is sixteen miles in from the sea. One or more of these boats could very well make their headquarters in some other port and so be closer to the scene of operations when called on. The fact that the Marine department has headquarters in Halifax is no reason why the boats should all be quartered there, and when a boat is called for at Yarmouth or Sydney it should not have to go all that distance. If the boats were stationed along the coast one would always be closer and more available when needed.

Mr. RYAN: Would Saint John satisfy you?

Mr. HOWE: The Montcalm which is stationed in Nova Scotia waters makes her headquarters at Sydney. This year we found it impossible to do with the Montcalm all the work we were called upon to do. Our idea in having the Citadelle available was that it could work in the southern part of the province and so avoid the necessity of the Montcalm cruising such great distances. We were unable to give satisfaction, and it probably has been a very expensive year for operations.

Mr. BENNETT: You will have to change the bows of the Citadelle.

Mr. HOWE: Yes, we are remodelling and strengthening it as part of the repairs.

Item agreed to.

To provide for the removal of derelicts in the harbours of Canada, particularly Port Arthur, Fort William, Sarnia, South Bay and Richelieu river, $70,000.

Mr. BENNETT: Before the minister speaks on this item, perhaps I should point out that all these three items properly belong to the main estimates, and ordinarily would be found there. He has anticipated placing them in the main or general estimates, and is placing them in these special supplementaries for the reason he has given. These harbours are—I was going to say periodically—raked for derelicts and I thought were fairly clear at the present time, in view of the efforts made in that direction during the last few years. I mean not the last two, but the last few years, because in connection with operations at Port Arthur and Fort William, for instance, the firm which had in hand the placing of that new breakwater and the performance of certain dredging operations cleared out from the harbour—I would not describe them so much as derelicts but impediments to uniform depth of water in both harbours. The minister knows that dredging operations were carried on there in more recent years for the purpose of providing uniform depth of water in both harbours, and of ensuring safety of navigation. My information was that the harbour was swept fairly clear of these derelicts.

Mr. HOWE: Ordinarily we have in the main estimates an item for the removal of obstructions. This year the item was cut down to take care only of the work under way. We had one or two wrecks on which work was progressing and provided simply for it, the removal of obstructions being a thing we could defer, and we were pruning these estimates as much as we could. However, the removal of derelicts provides a large percentage of labour—

Mr. BENNETT: Does it? I thought not; I thought machines and a very small amount of labour were used.

Mr. HOWE: We had a report made on these particular derelicts and we found the work of removal was about sixty per cent direct and indirect labour, which brought it into the class of work we were looking for. We are constantly having applications for this work. We have recently made stricter the regulations preventing the beaching of derelicts; it is the duty of every harbour master and other officials to report immediately such beaching to Ottawa when legal action is considered. We hope to prevent these practices in the future. But we have a great number of these. In Port Arthur I think there were some fifteen.

Mr. BENNETT: Are they beached or under water?

Mr. HOWE: Partly beached and partly under water. The underwater ones are cleaned out in the main channels. In Sarnia—

Mr. BENNETT: There were two in the channel there at one time.

Mr. HOWE: Yes; it seems to have been the practice in the past, if you got tired of your boat, simply to take it to Port Arthur or Fort William or Sarnia and leave it.

Mr. BENNETT: I thought it "left" the crew.

Mr. HOWE: Yes, possibly. In any event we have this great number of derelicts. Pressure has been brought to bear upon the department for many years to take care of them, and we felt that this was a proper time.

Mr. BENNETT: The minister says that pressure has been brought to bear upon the department for many years. I may say that ever since I have known anything of the government there has never been a time when there were not some derelicts removed. All the derelicts were not in sea channels, either.

The particular matter I desired to draw attention to is the Richelieu river. I observe that the minister has had his attention directed to it. It has been suggested that an effort is to be made to open a channel to the United States by utilizing the Richelieu river and certain canals. Has this work anything to do with that possibility? That is the only other question I desired to ask about this item.

Mr. HOWE: The item at first covered Fort William, Port Arthur, Sarnia and South Bay. It was enlarged at the last minute to take care of the Richelieu river.

Mr. BENNETT: I can readily understand its being enlarged.

Mr. HOWE: I have not the exact details but we have a small item here for work in the Richelieu river.

Mr. BENNETT: But has it to do with that transcendently important matter of reaching the Atlantic through the Richelieu river and canals down into the state of New York? Recently there has been considerable discussion in United States papers, less in Canadian papers, looking to that ultimate design behind such a work, and I wanted to know from the minister whether or not the suggestion of clearing the channel of the Richelieu river had anything to do with the projected work. The minister knows to what I refer?

Mr. HOWE: Yes, quite.

Mr. BENNETT: It has in view using the river and canals for the purpose of reaching the Atlantic ocean without going out past Quebec at all, by a certain type of small tonnage vessel and by barges. I think there was a time when this route was quite extensively used for barges of small size, but that was long ago. This suggestion I think was in part put forward by certain engineers in New York and apparently certain Canadian engineers thought well of it. I was interested to know whether or not this item contemplates any expenditure for that purpose?

Mr. HOWE: This will do useful and, I think, necessary work preliminary to that, in cleaning out the channel. The international waterways commission are studying the particular question to which my right hon. friend refers, and we were asked to delegate an engineer to work with them on the project. This is merely cleaning up the river; however, the work will be useful if anything develops the other way.

Mr. HARTIGAN: I call the attention of the minister to the fact that this item refers mostly to western harbours. In Sydney harbour we have a derelict which the former government tried unsuccessfully to raise and which is still left with us. I think about $2,600 was expended on the raising of that derelict, but still she lies there, a menace to navigation and an eyesore to the people as well as to incoming passengers. I should like to hear from the minister that action will be taken to remove that old derelict.

Mr. HOWE: I should like to say that there is a contract for the removal of the Pelican, and there is an item in the other estimates to pay for the cost of that work. We are having some difficulty, but we are hopeful that sufficient funds will be made available to complete the removal of that wreck.

Mr. STEWART: At the time these items were decided upon did the minister have before him an application for the removal of a number of derelicts from the harbour of Kingston? I know that in the past representations were made to the Department of Public Works for the removal of those boats, and some information was obtained about them. Over a period of years representations have been made, quite a number of those derelicts would be standing in the Rideau river; they are just inside the causeway. Have those derelicts been considered by the minister?

Mr. HOWE: I was not aware of any applications, but my deputy advises me that some time ago representations were made. No fresh representations have been made since I took over the department. So far as I recall, the removal of those derelicts is not included in the item.

Item agreed to.

National Harbours Board—Projects already undertaken—Halifax harbour improvements—to provide for payment of amounts retained in connection with certain contracts, four at $500 each, $2,000.

Mr. BENNETT: What does this item refer to, and why should it be in the estimates?

Mr. HOWE: It is to provide for amounts retained on certain contracts.

Mr. BENNETT: Why should we have to come to parliament to get power to return the money? I realize the amount is small.

Mr. HOWE: It is the intention in connection with harbours that for this fiscal year all amounts expended will be voted by parliament. We are doing away with blanket amounts.

Mr. BENNETT: Oh, yes, but the power to return money put up in connection with contracts has never required a vote of parliament, so far as I am aware. I was just asking why the minister comes to parliament to get power to return a man his own money that had been put up in connection with a contract. Either he is entitled to it, in which case no legislation is required, or if he is not entitled to it obviously we should not give it to him without knowing why it is being given.

Mr. HOWE: Nevertheless we must provide for it, and we have no fund for the purpose, other than what is voted by parliament.

Mr. BENNETT: This is money that has been put up.

Mr. HOWE: No.

Mr. BENNETT: The item refers to "amounts retained in connection with certain contracts."

Mr. HOWE: Yes.

Mr. BENNETT: It is the contractor's money, not ours.

Mr. HOWE: As my right hon. friend knows, progress estimates are voted less ten per cent. Ninety per cent is paid and ten per cent is held back. The work has been practically completed, and the hold backs have been reduced to $2,000. Nevertheless

we have no funds available to pay that $2,000. We are not holding contractors' money; it is money deducted from progress estimates.

Mr. BENNETT: I follow the minister. The explanation is that inasmuch as the harbour had no funds, this sum is merely to pay the balance of a contract price, and is not to return any drawback?

Mr. HOWE: That is correct.

Mr. BENNETT: It is the balance of a contract price.

Mr. HOWE: Yes.

Item agreed to.

Saint John harbour improvements—reconstruction of berths, 1, 2, 3 and 4, $1,817,500.

Mr. BENNETT: Would the minister give us an explanation of how this matter now stands. The contract was let in our time. What is the position to-day?

Mr. HOWE: We are continuing the contract, but at the present time we are having considerable difficulty. I do not know that the points at issue are public property, but there has been a considerable slide of material on the face of that property.

Mr. BENNETT: And always will be.

Mr. HOWE: So much so that the contractor has stopped work and has demanded a readjustment of his contract.

Mr. BENNETT: Is that quite the fair way to put it? Was it not that the department instructed certain things to be done and in consequence of their being done the ultimate result was that he declined to continue. They would not let him do it the way the specifications provided.

Mr. HOWE: No, I think my right hon. friend is mistaken. I have followed the matter closely, because it is a condition which has given us a great deal of alarm. It is true that some instructions were given that cylinders were to be sunk ahead of the piles, but it is a purely local matter which affects only some ten per cent of the length of the work. The contractor is at liberty to construct the rest of it any way he wishes to do so, but he does not care to proceed with the work unless a readjustment is made.

Mr. BENNETT: Was he not interfered with?

Mr. HOWE: No, that is not my information. I may say that I made a special trip to Saint John. The contractor claimed that he had been interfered with. I made it clear at the time that the order in which work would be done would be left definitely to the contractor, and it has been since that time.

Mr. BENNETT: But prior to that time a definite order was given as to the way in which work was to be done, was there not?

Mr. HOWE: I think it is open to question as to whether the instructions given could be construed as an order. I think if the contractor had not cared to make an issue of it the matter would have been straightened out. However I think we have made the situation clear. As I see it there is no reflection upon the contractor; it is a situation which has arisen, but which was not expected by our officers. It is giving us a great deal of concern, and we hope to straighten it out over a period of time. I am simply reporting at this time that the matter is very much in a state of flux.

Mr. BENNETT: This is a matter in which I have something more than ordinary personal interest. I was born not far from there, and when these berths were burned the question as to how they should be replaced became a matter of great interest. We sought the opinion of our departmental engineers, and they wanted cribwork berths. After the soundings were taken it seemed to be clear that to reach hard pan they would have to go down as far as seventy or eighty, and in one case over eighty feet, which is a tremendous distance. The bank is of mud, bay of Fundy mud, and it slopes sharply into the harbour. I remember that when we came into office we had on our hands the construction of west Saint John works; the coffer dam went out twice, and it cost us for extras something like one and a half times the original contractors' bid for the construction of the work, which made me very, very anxious about this particular undertaking. Without being an expert I favoured, personally, a cylindrical concrete pile for the purpose of preventing what I regarded as lateral pressure on the structure forcing it into the harbour. The lack of stability that would come about from the construction of a wooden pile berth would not have been satisfactory; the mooring of a heavy ship would undoubtedly have had a bad effect. I have been around the berths at which heavy ships have been moored, and could almost feel the berths moving. Some of our engineers, probably all of them, did not think it was desirable to put in pile work. The matter was referred to two consulting engineers, one of whom was the chief engineer of the Canadian Pacific railway, who gave us his advice,

and the other was the most eminent consulting engineer available in the city of Montreal. I believe his name was Mr. James; that is my recollection. He concurred in the view that the cylindrical concrete pile would be advisable.

The contract was let on the basis of concrete cylindrical piles. My information from inquiry the other day as to how the work was progressing indicated that there had been, shall I say interference from the department with the work as being carried on by the contractors. My inquiry was not from the contractors but from another source. The information was that the contractors had been told that they were to do the work in a certain way which, having regard to the terms of the plans and specifications they thought was undesirable, because it is a tremendous task first of all to prepare the hole, and, second, to build up the cylindrical foundations at a depth of seventy-five or eighty feet in the mud of the bay of Fundy, where it is sharply slipping into the river. It is a tremendous task, and the plans and specifications contemplated some of the difficulties as to the manner in which the work should be carried on. I was informed—and this is the reason I asked the question—that there was some interference from the department here with the contractors, the net result being that they said: This is not the way in which we contracted to do this work, and if we are to be subjected to these directions we must have a clear understanding before we go further. It must be remembered that some of the cylinders are being cast; some have been cast. The cylinders, as the minister knows as an engineer—and I need hardly mention it—are not cast in place but are cast on the ground and put into their place on the sinking of the holes—you might really call them shafts because they are from seventy-five to eighty feet in depth—and that is a matter of some difficulty, though, I understand, not of any great difficulty from an engineering standpoint. But they are always subjected to pressure. The lateral pressure that Sir Alexander Gibb referred to in connection with the dock at Wolfe's Cove was so apparent that this great property was really moving towards the river. At first the movement was not very great, but he recommended that we should take immediate action to prevent that lateral pressure from moving the great structure further into the river, and it has cost substantial sums of money to take the necessary steps to prevent that lateral pressure making itself effective. I am more interested in these new berths at Saint John than in many of these matters because of its location and my desire to see berths built there in keeping with the work at west Saint John which was finished only a few short months ago, and in keeping with pier B in Halifax harbour. The conditions at Saint John are very difficult. The people of Saint John themselves carried on the necessary undertakings for a number of years, and now that the harbour is in the hands of the commission it is of the utmost importance that this work should be finished as contemplated.

The minister says that there was no suggestion that resulted in action being delayed. But finally the contractors said that if somebody else was to determine how they should do their work they would leave it to that somebody else rather than undertake it themselves. That is a short way of putting the situation, and I wanted information on that point.

Mr. HOWE: First of all, I do not like to say at this time whether the design adopted was the best or not, because I never had much use for engineers who would come in after trouble developed and say that they would have done the work in some other way; so we will leave that out of the question.

Mr. BENNETT: Quite so.

Mr. HOWE: My attention was first brought to the situation at Saint John in January when I had a call from the contractor. He said that he was somewhat in doubt about the work there, and he referred to certain instructions. They were issued not from Ottawa but from the harbour commission; it was before there was any attempt at centralization. He asked me to go down and look at the work personally, and I did so. I went down with the general manager for the contractor and I made it clear at that time, and have done so since, because I have had a great deal of experience in handling contracts, that it is the contractor's privilege to handle his work in any way he likes provided the work in the end is done according to the plans and specifications. I made it clear that that was his privilege, and he was quite satisfied at the time that he had a free hand to do his work in his own way so long as he produced the proper results. The developments were as much a surprise to the contractor as they were to us, perhaps not exactly a surprise because when you look back at what happened you might reason that it might have been expected. However, trouble has developed and we are doing our best to overcome it. I do not want to repeat the experience of the past and let the cost run

away so that eventually it is twice the sum contemplated. We are working very hard in the department to permit the work to be done as originally planned without increasing the cost to the government, and in the course of another week I have the hope that we shall see daylight.

Mr. BENNETT: How much has been spent already?

Mr. HOWE: To the end of March, $823,539.

Mr. BENNETT: Is this the balance of the contract or the whole sum?

Mr. HOWE: The whole sum required.

Mr. BENNETT: So it should be something like $800,000 less than we are really voting because $800,000 has already been spent.

Mr. HOWE: These are requirements in addition to the $823,539. The sum of $2,000,000 was voted under the Public Works Contract Act, 1934, and the contract price was $2,641,039.

Mr. RYAN: The leader of the opposition has asked a question I was going to ask. Is this additional for the amount of the contract, and for unforeseen expenses?

Mr. HOWE: It is the balance required to finish the contract that has been placed. The amount appropriated under the Public Works Construction Act, 1934, was less than the contract price, and this is the amount required to complete the contract.

Mr. BENNETT: Which added to the sum already paid, will complete the contract?

Mr. HOWE: Correct.

Mr. RYAN: As this item comes under the supplementary estimates dealing more or less with relief, I would ask the minister to see that the contractors engage local labour as much as possible. I was pleased to hear the leader of the opposition state that he was anxious to have this work completed, but we in the city of Saint John would have been much better satisfied if he had expressed the same anxiety two or three years ago, because the delay in starting this work has been a great handicap to the port of Saint John. Some years ago the house voted unanimously for the carrying out of this work, but for a reason which could probably be explained by the leader of the opposition himself this undertaking was delayed for two or three years.

Mr. BENNETT: Not for two or three years.

Mr. RYAN: A couple of years anyway.

Mr. BENNETT: Not a couple.

Mr. RYAN: And pressure was brought to bear upon the then government to go on with that work.

Mr. BENNETT: That is not so, but it does not make any difference.

Mr. RYAN: Living in Saint John I am familiar with what has taken place there.

Mr. BENNETT: But not here.

Mr. RYAN: And had the leader of the opposition expressed the same anxiety a couple of years ago that he does to-day we would now be much better off in the port of Saint John.

Mr. BENNETT: That is about the thanks one would expect from the hon. member for Saint John-Albert (Mr. Ryan) for the interest that one has in the harbour there. After the fire there would not have been a berth there at all of the class now being built but for the interest we took in it. Great difficulties were experienced in west Saint John, and the cost of those facilities was tremendous, beyond all reason. The contract had been let before the late government came into office, and the works were not finished there until the end of 1934. Two coffer dams went out in the meantime, and the extras that we had to pay under a contract that never should have been made were 150 per cent more than the original contract itself. We paid $600,000 in settlement for extras on a contract for $400,000 because coffer dams went out on two occasions.

When this matter came up we realized that it was not local but national. It is a national port and it affects the whole of Canada. The west is as deeply interested in it as is Saint John, and we determined to try and get berths there that at least would not slip into the harbour and that would not bring about the difficulties which had been experienced with the other west Saint John works. Four engineers from the departments of Railways and Canals, Marine, Public Works and National Defence went down there at my personal insistence and investigated the matter. They took the greatest possible care in preparing their recommendations. I have said that they were of the opinion that cribwork would be better, first, because it was less expensive in times of economic difficulty and, second, because they believed that having regard to the situation and the conditions prevailing, it would be desirable to have that

type of berth. Perhaps it was a case where fools rush in where angels fear to tread. I had a strong personal opinion that it was desirable that these berths should be built upon concrete cylindrical piers and I arrived at that conclusion because of certain investigations I had made on one occasion into a harbour in Great Britain. It later developed that the borers had made their appearance in that harbour, but that was after the contract had been let. I am not quite sure as to the time, but I think it was after the contract had been let. At any rate, we referred the matter to a consulting engineer; we referred it to the Canadian Pacific engineer and finally with the aid of Mr. Gray, the resident engineer, who was in favour of concrete cylindrical piers, we had plans and specifications prepared and asked for tenders. We were told that there were very few contractors in this country who could do this work.

We are now told that if we had been as much interested in this two years ago the situation would have been a good deal better than it is now. It is because we were so much interested in it that we succeeded in having the contract let for the construction of these berths with concrete cylinders. This was in accordance with the views held by the resident engineer and in keeping with one of the best berth facilities provided in the old country in one of its harbours. I have the interest which a native son is always permitted to have in the development of the harbour of Saint John, not only because it happens to be in New Brunswick but because it is one of the national harbours on the Atlantic coast upon which the west and other parts of Canada must rely to reach the sea and the markets of the world during the winter season. The effort that has been made has been continuous. It involved a lot of money and I want to say that the efforts to get that money were at times very great. At the expense of other works which were delayed we went forward with this although the very limited number of men who were prepared to tender on the work made it more difficult than it otherwise would have been. We are now told that if we had been a little more anxious about it, it would have been a little better for Saint John. This is a very good illustration of the ingratitude which follows public life.

Item agreed to.

Chicoutimi harbour improvements—road to make connection between dock and new bridge and connecting dock sidings with Roberval and Saguenay terminal, $13,663.52.

Mr. HOWE: This item is to complete item 28 of the Public Works Construction Act, 1934. It is a small amount to finish up a contract already let.

Mr. BENNETT: Has the minister visited this harbour?

Mr. HOWE: Unfortunately I have not.

Mr. BENNETT: I was hoping he had as I should like to have his frank opinion as to whether or not the works at this place can ever be justified in their present location. We found them there as part of the, shall I say legacy that we had to take over. I am not complaining about that, but large commitments were made involving the expenditure of vast sums of money. Has the minister before him a statement of what has been spent there? I do not want to put him to any great trouble, but I should like to know what has been spent up to the present time.

Mr. HOWE: If the right hon. gentleman will allow me to give that when we are discussing the harbour estimates, I shall be prepared with the full information.

Mr. BENNETT: That is quite satisfactory.

Mr. STEWART: This brings up a point in connection with several of these items. The minister, I understand, has said that provision was made for this work in the Public Works Construction Act, 1935. I have always been of the opinion that it was not necessary to revote items which appeared in that act in the same manner as we revote items in the regular estimates. The items in the Public Works Construction Act, 1934, were carried on without being revoted, and I am of opinion that it is not necessary to revote in this instance. Statutory appropriations are made available until the work is completed. I do not know just why these items appear in these estimates when provision has already been made. It may be the government's policy, but it seems to me that this is not necessary at all.

Mr. HOWE: As a matter of government policy we believe that it is better to budget for the items and have them show in the expenditures for this year, but I may say that some of the public works items have been curtailed and we believe that as of April 1 we should note the money we are spending this year.

Mr. BENNETT: Although it has once been voted?

Mr. HOWE: That is quite true, but I understand it is intended to repeal these acts.

Mr. STEWART: The effect of this is really to pad the estimates; you are making it

appear that you are providing for works that have already been provided for. At the end of the estimates is an analysis of the expenditures and the total for projects already undertaken is $30,418,341.66. I take it that funds for these items have already been provided for under the public works construction acts. As I say, the effect of this method is to create the impression that a large amount of money is being provided this year for works whereas the money was provided in years gone by.

Mr. HOWE: I do not know that the money was provided, but the expenditures were authorized. I think the people who are spending the money this year will have to find it. We prefer to wipe out the former appropriations and appropriate the money again and we shall have to find the money to be expended on these works during this fiscal year.

Mr. STEWART: Putting them into these estimates is not finding the money any more than it would be finding the money by putting them into the regular estimates. Did the minister say that it was the intention of the government to repeal the public works construction acts of 1934 and 1935?

Mr. HOWE: I cannot announce that definitely, as that would be the privilege of the Minister of Finance (Mr. Dunning), but that is my understanding as we were asked to provide for work for the current year, whether or not it appeared in the public works construction acts of 1934 and 1935.

Mr. BENNETT: In any event, this Chicoutimi item would require an appropriation?

Mr. HOWE: Yes; I understand it is an addition.

Mr. STEWART: That is different if it is in addition to what has been provided already.

Mr. MacINNIS: Could the minister tell us if any part of the projects mentioned here are already completed and, if so, what is the total amount of those completed?

Mr. HOWE: I may say that the Halifax project is all completed. That $2,000 is purely for hold back that is required until certain terms of the contracts have been complied with. In the case of Chicoutimi the expenditure last year was $153,500, and this $13,500 completes the work there.

Item agreed to.

Quebec harbour improvements—
To provide for payment of amounts retained in connection with certain contracts, $6,866.71.

New quay wall—To widen west side, pier No. 1, Princess Louise docks, $808,202.73.

Bituminous macadam road, Gilmour hill—provision for payment of claim for additional work done under contract, $7,177.92.

Dredging at Wolfe's Cove terminal, $179,906.70.

Dredging St. Charles river and Louise basin, $203,355.81.

Resurfacing Wolfe's Cove yard, $18,159.53.

Repairs to wharves and sheds, Princess Louise docks, $17,000.

Mr. BENNETT: I should like to ask two or three questions about that. First, how much of the total $1,240,000 has been spent? Second, are contracts outstanding for all the work there mentioned? Third, why is it necessary to revote money that was the subject matter of much discussion in this house and with respect to which there was no lapsing of the estimate? The point I desire to make to the minister is that the old estimate did not lapse at the end of the fiscal year. Why are we voting this a second time? I was on the other side when we were putting it through a year ago, endeavouring to explain why it had come about that we had to make the expenditure. Now I should like to know whether the contracts are let, how much has been expended, and why it is necessary to vote this a second time.

Mr. HOWE: The first item under this is a sum of $6,866 to provide for the clearing up of certain contracts. I think that is similar to the item for Halifax, that is retained percentages that will be released. Then there is the new quay wall for the Princess Louise docks, $808,202. That is a contract which was let some months ago to the Ogilvie Construction Company. There was some difficulty about engineering, and when we came into office we found it in a very unsatisfactory state, and decided, not to cancel the contract but to suspend the work until we could review the engineering. We have now reviewed the engineering and revised it. We are voting the amount of that contract here so that we can go on with the work this summer.

Mr. BENNETT: Is it a new contract, or do the old contractors carry it on?

Mr. HOWE: We have made no rearrangement of the contract. They still have the contract although they have not done any work, and I assume we can readjust the matter with them so that they can carry it on.

Mr. ROWE (Dufferin): When was the original contract drawn?

Mr. HOWE: July 24, 1935.

Mr. STIRLING: In what way does the minister mean that he did not agree with the

engineering? Were the plans submitted not satisfactory to the department and to the minister?

Mr. HOWE: We found that the plans had been changed, I think, three times from the time the contract was let until the time that I reviewed the matter.

Mr. BENNETT: It was a question of the condition of the existing works, which had not been looked after for a long time, plus the question of widening the berth.

Mr. HOWE: I think they were working on the third plan. The contract had been let on a plan that was not suitable for the location. When the nature of the bottom was found, changes were necessary, and changes were made. For some reason or another the second plan was not satisfactory, and at the time I was there the third plan was under consideration.

Mr. STIRLING: And yet the contract had been let.

Mr. HOWE: The contract was let, yes. These changes were made after the contract was let.

Mr. STEWART: That was a contract by the harbour commission, was it?

Mr. HOWE: No, it was under the Public Works Construction Act.

Mr. MacINNIS: I wonder whether the minister could let us know if the amount in the present estimate was the original amount of the contract.

Mr. HOWE: The amount of the contract is $734,000. The amount of $808,000 includes supervision. It is the same vote for that project as is in the Public Works Construction Act. We have revoted it as it was.

Mr. BENNETT: Is this not a correct way to put it: The plans and specifications were prepared by a consulting engineer, who loked after Three Rivers and two or three other harbours.

Mr. HOWE: Mr. Gohier.

Mr. BENNETT: Yes. He has had considerable experience, according to my information, and he was regarded very highly in his profession, but I understand his politics were not quite satisfactory after the change of government.

An hon. MEMBER: Order.

Mr. BENNETT: Order! Yes, it was in order that they were unsatisfactory. But what happened in consequence of that was that difficulties were raised about the plans and specifications. The contract had actually been let, as I recollect, before the change of government took place.

Mr. HOWE: Three months before. But the contract had been changed twice before this government came into power. The plans had been changed twice.

Mr. BENNETT: I was going to continue: The plans and specifications contemplated changes and alterations of the existing contract; on investigation it was found that the conditions of that existing work were much worse than were apparent at the time the contract was made, and the contractor immediately pointed that out. Is that not the fact? I think that will be found to be the fact.

Mr. HOWE: Yes.

Mr. BENNETT: I am not quite sure about this, because I am carrying all these particulars in my head, and they cover every part of Canada. The minister knows perfectly well that with regard to the old harbour one of two things has to be done: Either we have to spend some money, or all the outcome of that vast expenditure there will ultimately crumble and fall away. I refer to the work on the King's wharf and to the Louise basin and the work at what is called the Old harbour. We had reports from time to time about that Old harbour, and it will be recalled that when the last appropriation was made to the harbour commissioners it was stated in this house, when that resolution was before it, that that would be the last money which would be asked for Quebec, because the sum spent there has been very large; my memory is that it is something like $50,000,000 for that harbour. When Wolfe's Cove was finally chosen as the site for this new wharf a shed was put there which would do credit to New York; it is a magnificent double-decked shed. The berth itself was inspected by Sir Alexander Gibb. He found that lateral pressure was gradually pushing it towards the river, and we took steps to remedy that. There remained one other question with respect to that. On the up river side there was a deposit of gravel and earth which navigators found dangerous in the stern movement of a large ship like the Empress of Britain, and the engineers recommended that we should dredge that out. That item is here, $179,000. At that time we felt that we did not have the money, but finally, after a conference between those responsible for the berthing of this large ship and the

engineers, it was realized that that deposit of earth and gravel on the up river side of the berth, which necessarily would interfere with the stern movement of the ship, should be removed, and I thought we let the contract for the dredging, but I see it is here. My view was that the contract was let and the work commenced last fall so that when spring opened this year that public danger would be so minimized that there would be no difficulty about the movement of this large ship. In fact two of them are more or less affected by that deposit, but not the Duchesses, because it was at a sufficient distance from the point where they lay at the berth not to be important. The other items mentioned are those connected with the Old harbour, and more again at Wolfe's Cove in connection with the resurfacing of the yard. It will be remembered that when the yard sank into place and was finally settled it was contemplated that it had to be resurfaced at a later date. This is to complete that work. Perhaps the minister can tell me whether or not contracts are outstanding with respect to all those, and to what extent money has been expended.

Mr. HOWE: I must congratulate my right hon. friend on his excellent memory; I think it is amazing, and it is certainly accurate. Perhaps, however, I should correct his impression about Mr. Gohier. I had some trouble getting into touch with Mr. Gohier, but when he came in he first laid his resignation on the table and started his discussion from that point.

Mr. BENNETT: Perhaps he was wiser than some; he knew that if he did not do so a statute might be passed to remove him.

Mr. HOWE: Possibly. I may say that Mr. Gohier has a very good reputation as a drainage engineer, but he admitted that his experience in this line was limited. Perhaps he was put into a false position at Three Rivers, but I wish to make it clear that he was not dismissed. Our relations were very friendly; as a matter of fact I like him. I may say, however, in discussing these contracts, that this $6,800 item is only a clean-up. Under the $808,000 item there has been practically no work done. A few piles were driven, enough to discover the difficulties, and the matter was reserved for further investigation. There it was a question of whether or not concrete piles could be driven, and we found they could not. We expect to get on with that after a bit.

Mr. BENNETT: What is the position in regard to the dredging of the St. Charles river and Louise basin?

Mr. HOWE: That contract is continuing. It was at so much a yard, and the yardage is quite considerable. This makes provision for both contracts.

Mr. BENNETT: Part of the work was done years ago, as a matter of fact, and this was for the purpose of endeavouring to clean it up.

Mr. HOWE: Yes, that is right.

Mr. STEWART: In the Supplementary Public Works Construction Act of 1935 there was an item of $1,250,000 for Quebec harbour improvements and maintenance. I suppose that is the item from which these contracts sprung?

Mr. HOWE: Yes.

Mr. STEWART: Were all these contracts let before the change of government? When was the work in the basin undertaken?

Mr. HOWE: They were all let before the change of government.

Mr. STEWART: The same remark I made about these other items would apply to this one, of course.

Mr. HOWE: Both these dredging contracts were let September 31, 1935, dangerously close to the date of the election.

Mr. GREEN: May I ask the minister whether the business through the port of Quebec has been increasing or decreasing in the past few years.

Mr. HOWE: I may say that we are voting the operating expenses of Quebec harbour in the regular estimates. This is really a revote concerning contracts under construction. If my hon friend would not mind holding his question until we have the operating figures before us, I shall be glad to answer it in detail at that time.

Mr. BENNETT: I think the minister might well say that there is no operating revenue.

Mr. HOWE: We get some revenue, but the expenses are much greater.

Mr. BENNETT: Quite; I should have said no net operating revenue.

Mr. GREEN: Can the minister say now as to whether the business of the port is increasing or decreasing?

Mr. HOWE: I do not think that can be said in a word. On balance, perhaps, it is decreasing a little, although some parts may be

picking up. For instance, the coal business is improving, while certain other businesses are falling away.

Mr. GREEN: Over what period has there been a decrease?

Mr. HOWE: As I say, this is rather embarrassing; I am quite new to this task, and I have not the operating figures before me. This matter will come before parliament later, and if my hon. friend does not mind waiting until the operating estimates are up I shall be glad to answer those questions.

Item agreed to.

Three Rivers harbour improvements—
New transit shed on new wharves, $145,000.
Reconstruction of old wooden wharves, roads, railway tracks and lighting system, $137,600.

Mr. BENNETT: How much of the money voted for that purpose has been spent? The transit shed is finished, is it not?

Mr. HOWE: No, it is not started as yet. It is under contract, but as my right hon. friend will remember there was some delay in regard to a difficulty about the site. Two small sheds were built, but we were unable to start the main transit shed; we could not tear down the old building because of some contracts outstanding.

Mr. BENNETT: The difficulty was that the International Paper Company's paper had to be cared for pending construction of the new shed, and until that was arranged the old shed could not be torn down.

Mr. HOWE: Yes.

Mr. BENNETT: The contract is still outstanding?

Mr. HOWE: Yes.

Mr. BENNETT: Is that so also with regard to the item for $137,600?

Mr. HOWE: Yes, they are both quarter contracts.

Mr. BENNETT: Does the minister know how much money has been paid out on the contract so far?

Mr. HOWE: I may say that this is to some extent a painful item. I think the complete cost will be about twice the cost of the original contract.

Mr. BENNETT: For what reason?

Mr. HOWE: The design had to be radically changed after the work was in progress. In connection with the retaining walls it was found impossible to drive in the original location, and it was moved out in the river a considerable distance, increasing the cost. I should be able to explain this very well, because I had several painful experiences in trying to come to a settlement.

Mr. BENNETT: There was an old and a new pier at Three Rivers, was there not? My memory is that there were two, an old one and a new one.

Mr. HOWE: I understand there was an old wharf at that point, but this new wharf is being constructed in front of the old wharf, to replace it. There was great difficulty in getting the piles down, as my hon. friend remembers; it was a concrete sheet pile, and the piles had to be increased in dimension because it was found impossible to drive the piles originally specified.

Mr. BENNETT: Perhaps we can discuss the details when we come to the Three Rivers harbour item in the regular estimates.

Mr. HOWE: I shall be very glad to do so.

Item agreed to.

Montreal harbour improvements—
Raising wharf, sections 38 to 40, $20,971.31.
Reconstruction of raceways in Windmill Point area, $180,990.95.
Laurier Pier, reconstruction, $85,375.30.
Sutherland Pier, reconstruction and extension, $655,904.24.
Alexandra Pier, reconstruction, $847,000.
Raising wharf and railroad tracks, sections 35-40, $47,290.74.
Extension of marine tower jetty, elevator 3, $35,557.42.
Reconstruction of Windmill Point wharf—upstream section, $1,000,000.

Mr. BENNETT: Perhaps the minister would take up these items one by one and say with respect to which ones there are contracts outstanding and to what extent payments have been made on account. I must say to the minister that I do challenge the passing of this item a second time. Let me put it to the minister in this way: When the contracts were made, payments were required. The auditor general had to have some authority for the payments, and his authority was the appropriation by parliament of specific sums to pay those contracts. Now we are revoting the same amount of money as we voted originally, for the same contracts, although contracts are outstanding and partly paid for by the appropriation we made last year. I cannot understand just why that should be done, and I am not quite sure as to the regularity of it. At the moment, however, perhaps the minister would be good enough to say in a general way whether the contracts are outstanding and, if he has them available, to give the figures as to what has been paid.

Mr. HOWE: The first item has to do with raising the wharf, sections 38 to 40. That is Public Works Construction Act 1934 item No. 108, and the contract amounted to $242,000. This is the clean-up item. I understand the work has been practically finished and this is the contractor's drawback.

Mr. BENNETT: This is the item in connection with which the diminution in the volume of water in the harbour necessitated work being done so that ships might get to the docks?

Mr. HOWE: Yes. The next item has to do with the reconstruction of raceways in the Windmill Point area. My right hon. friend will recall that in this connection we had to rebuild certain raceways.

Mr. BENNETT: Yes, and it was an expensive process, too. Contracts for certain of those raceways have been let?

Mr. HOWE: This item has not been awarded, it was at loose ends as between the pier and—

Mr. BENNETT: They did some work by day work clearing it up?

Mr. HOWE: Yes, and certain raceways were built. But this is necessary work as between the two different contracts, Dufresne and Atlas.

Mr. BENNETT: The Laurier pier is down towards the basin?

Mr. HOWE: Yes, that is an existing contract, the original contract, $288,439.

Mr. STIRLING: This is the most easterly one?

Mr. HOWE: Yes, this is the furthest down the river, in front of No. 3 elevator.

Mr. BENNETT: Is this to pay the balance of the contract?

Mr. HOWE: Yes.

Mr. BENNETT: The Sutherland pier is in the same locality?

Mr. HOWE: No, I was wrong, this is even further below Laurier.

Mr. STIRLING: Is Laurier the southeasterly one?

Mr. HOWE: Yes. This is a contract for $710,910 and this amount is to complete. At the close of the season $137,326 was spent.

Mr. BENNETT: The next item is the Alexandra pier.

Mr. HOWE: Yes. There was a vote for rebuilding the Alexandra pier, and one contract had been awarded, and tenders called for the second contract. On looking into the matter we found that while the work could have been completed last season there was no possible way of using it last season on account of the dredging program in the harbour, and we felt that we could very well hold the work over until the current fiscal year without any loss to shipping interests. We have revised the work to some extent and cut down the cost. We are not doing the full amount of work that was included in the other contracts.

Mr. BENNETT: Was the contract let?

Mr. HOWE: The contract for one section, the inner one, was awarded to Angus Robertson, Limited, $774,700.

Mr. BENNETT: How much has been spent on that?

Mr. HOWE: Nothing; the work was not completed; the contract is still outstanding and we believe it may be possible to make a revision of the contract to include the work now proposed.

Mr. BENNETT: The sum proposed to be spent is the difference between that and $800,000?

Mr. HOWE: No; the whole amount of $847,000 will be spent to do that work.

Mr. BENNETT: Then $700,000 of it is referable to the contract?

Mr. HOWE: Yes, the contract outstanding for that amount.

Mr. FINN: When it says Sutherland pier or Alexandra pier reconstruction, does that mean a pier that had fallen down or disappeared, or is it a new pier?

Mr. HOWE: No. The Alexandra pier is one of the important piers in Montreal harbour, but due to the lowering of the water levels in the harbour it was necessary to dredge alongside of it. The construction of the pier did not permit dredging of the required depth rock alongside without some alterations to the pier. This puts a new face on the pier, carried down to a point that permits the slip to be deepened.

Mr. BENNETT: The pier would fall down—

Mr. HOWE: Yes, if we dredge it without this other work.

Mr. STIRLING: Has the minister committed the government to further dredging within the area of Montreal harbour? Last year, if I remember correctly, the thirty-five

foot channel was up to within four thousand feet of the bridge, and there was controversy as to whether it was desirable to carry that extra depth into the harbour area. Has the minister come to any decision on that?

Mr. HOWE: A contract was let for it last year, a little over $1,500,000 for dredging in the harbour itself. I think there can be no real controversy about the desirability of extending that channel to the head of the harbour. The condition was that the thirty-five foot channel was carried to the harbour limits, that being four thousand feet below the harbour bridge. At that point there was a jump in the bottom of seven feet, up to the twenty-eight foot level. I think there can be no difference of opinion as to the desirability of carrying that thirty-five foot level on the 1897 datum to the foot of the Lachine canal and into the principal slips in Montreal harbour.

Mr. STIRLING: The minister considers that it will not lower the level in Montreal harbour in a way which will do harm to the level of the river?

Mr. HOWE: No. The difficulty there is in making a better outlet to Montreal harbour. I do not think that dredging in the harbour will change the position, but as we improve the St. Lawrence river below there is no question that when we take twelve inches off the bottom we take about five inches off the top. That goes on continuously. I think engineers will agree that is the result.

Mr. STIRLING: But this is a question of taking seven feet off the bottom.

Mr. HOWE: But only in the harbour.

Mr. BENNETT: At the time we had to deal with this matter, I understood the condition was that the thirty-five foot channel from Montreal to the sea had been practically completed. The profile shows that some rock and earth have to be removed between the harbour and the bridge, further out towards the sea, and between the bridge and Montreal harbour; there were I think three places where there had to be some removal of earth and rock to clean it up and then the work was complete. Coming from the lakes we have thirty-five feet down at the basin; then the harbour itself carried only twenty-eight feet of water, and as a result it was contended —and I put this to the minister—that the swiftness of the flow out of the harbour into the river, by reason of the depth of the channel being thirty-five feet, had a direct effect upon the depth of water in the harbour itself; and, as my hon. friend the engineer to my left suggests, multiplied by the extra area. That is the position put to us. On the other hand engineers said that the thing to do was to carry the thirty-five foot channel right through the harbour so as to make it a complete thirty-five foot channel from the basin to the river. That is how the proposition was put to us as I remember; I speak subject to correction. Then, owing to the diminution of water in the harbour last year and the year before, these wharves were left without sufficient depth of water to enable the ships to get in beside them, and if dredging were carried on to deepen the berths the piers would be standing on insecure foundations that might fall out. The work that has been described was along the edge of the piers to keep the pier in place and make it serviceable when the dredging was completed. Two or three ships of one line had to leave partly loaded because of insufficient depth of water, for instance, at the piers which the Cunard and the Canadian Pacific lines used. In order to take a part cargo they went to these piers, but could not load a full cargo.

To complete this work to thirty-five feet through the harbour will cost considerable money. In the meantime we deflected our operations to the basin and made good these piers and deepened the basin; that is my recollection. Now, does this contemplate the deepening of the channel through the harbour, the floor of which at the moment is some six or seven feet higher than the bottom of the thirty-five foot channel that leads into the river?

Mr. HOWE: Perhaps my right hon. friend will recall that when the main estimates were passed we had a vote of $2,000,000 for dredging the St. Lawrence. At least $1,500,000 of that was to be spent in Montreal harbour.

Mr. BENNETT: For what purpose?

Mr. HOWE: For deepening the channel through the harbour and the approaches to these docks. And about $500,000 was to take out the bar below. That was not done. It is true that we have thirty-five feet of water, but that is to the 1897 datum, and the effect of the dredging—I think that is what my engineer friend refers to—is to lower the datum. So that while we have thirty-five feet at the 1897 datum we no longer have the 1897 datum. The datum is about two feet lower.

Mr. BENNETT: The volume of water going into the harbour is two feet less than it was in 1897.

Mr. HOWE: The flow out is quicker.

Mr. BENNETT: Certain weirs were built to impede the flow?

Mr. HOWE: Yes.

Mr. BENNETT: And certain engineers said that they thought those weirs did not serve a useful purpose. Has the minister seen the profile from the point going out to sea, up to the harbour?

Mr. HOWE: I have examined it closely. I was quite concerned about how the money should be spent there.

Mr. BENNETT: That was the finest bit of profile work I have seen.

Mr. HOWE: Excellent.

Mr. BENNETT: I thought it was the best I had seen. I put it up on the wall in the railway committee room, so that the members might see it. I have not seen any profile I thought was as complete as that of that harbour. It was so clear I could understand it myself.

Mr. HOWE: It is excellent work.

Mr. STIRLING: If the minister says that we are now committed to carrying this deep channel right through Montreal harbour, it follows also that it must be carried into each of the existing piers.

Mr. HOWE: That is correct.

Mr. STIRLING: As a consequence of that does it not also mean that each of those piers will now have to be rebuilt to the extra depth?

Mr. HOWE: The work of rebuilding those piers is pretty well completed. The Alexandra pier is the last one to be carried down to the depth, and of course the newer piers were carried down to the new datum when they were built. The King Edward pier was carried down two or three years ago. When we have completed the Alexandra pier we shall have finished them.

Mr. STEWART: In what position is the work involved in the million dollar item?

Mr. HOWE: The contract was for $1,478,-147, and the amount that has been spent prior to March 31, amounted to almost $400,000.

Mr. STEWART: This provides for the balance?

Mr. HOWE: Yes; it provides for the completion of the work.

Mr. STEWART: This item appears in the Public Works Construction Act, 1935.

Mr. HOWE: No, it is not under the Public Works Construction Act.

Mr. STEWART: In the Public Works Construction Act, 1935, there is a general item of $3,500,000 for Montreal harbour improvements and deepening, and I just wondered whether the money had been provided out of that amount.

Mr. HOWE: No; about $1,500,000 out of the $3,000,000 was spent on dredging Montreal harbour, and the other work was in connection with the Alexandra pier, the Laurier pier and the Sutherland pier. This particular work was authorized as a loan to the Montreal harbour commissioners.

Mr. BENNETT: In order that the money might be made available for them, we put it in that estimate; that is all. They are to get the money from the dominion government, but in accordance with the provisions of the harbour act the harbour itself issued their debentures, and the government advanced the money. That is the position.

Mr. HOWE: Yes.

Mr. STIRLING: Are the corrective works being constructed or designed down stream being continued? There was to be a breakwater or weir connecting several islands, and the purpose was to tend to raise the level in the harbour. I do not think that is covered in any of these items, but is the work continuing?

Mr. HOWE: The only weir of any importance was the one near Sorel connecting the mainland with an island.

Mr. BENNETT: Was there not a small one outside the harbour, before that, which the engineers thought was of no particular value?

Mr. HOWE: I believe I was responsible for the suggestion.

Mr. BENNETT: No, that was said before the hon. member took office.

Mr. HOWE: There was work continuing for a number of years in maintaining this particular weir about which I speak. It is below Montreal harbour and above Sorel.

Mr. STIRLING: The purpose was to correct the diminution in the level of the water in Montreal harbour.

Mr. HOWE: Yes.

Mr. STIRLING: If the government is committed to a thirty-five foot channel right up to the harbour we must look for a lowering of the water in Montreal harbour, which has been giving serious trouble in past years. That being one of the factors, what

corrective work does the government contemplate to hold the water up in Montreal harbour?

Mr. HOWE: In the main estimates we have an appropriation for a board of engineers to study the entire water levels of the St. Lawrence. We expect a second interim report from them shortly. They are very much engaged with a plan which we hope will supersede the dredging, in an attempt to check the water and raise the level back to the 1897 datum. But we are doing nothing at this time. There is nothing provided this year, and we can do nothing until we receive a conclusive report from the board of engineers.

Item agreed to.

Halifax harbour improvements—new sheds, pier "B," provision of cargo handling and fire prevention equipment, $6,400.

Mr. BENNETT: What was the final cost of this pier? I believe it was between $5,000,000 and $6,000,000. I know the moneys were outstanding when we came into office, and the pier was not finished until 1934 or 1935. Is this a vote for further completion of the work?

Mr. HOWE: This is just a matter of fire prevention equipment. The shed was finished.

Mr. BENNETT: A sprinkler system was put in there.

Mr. HOWE: Yes. This is for two tractors and sixteen trailers.

Mr. BENNETT: The harbour commission would have paid this, had it not been for taking over the harbour.

Mr. HOWE: Yes.

Mr. KINLEY: On April 23, as reported on page 2116 of Hansard, when the national harbours board was under discussion, the junior member for Halifax made a reference to the taking over of the Halifax cold storage plant. At that time I made this interjection:

Mr. Kinley: After it became a white elephant.

My statement indicated that the cold storage had been a financial loss. I have some financial and commercial interests in Halifax, and of course I was interested in the port and thought I was justified in making the statement. After I made that remark the leader of the opposition said this:

Mr. Bennett: It did not; it paid its interest.

Mr. BENNETT: Yes.

Mr. KINLEY: I did not take issue at that time with the leader of the opposition, because I wanted to be sure of my facts. I now have before me a return indicating that it made an operating loss each and every year, before taking into consideration depreciation on plant and equipment. The figures show that during the time it operated it made a gross loss of $503,132.37. Under the circumstances I shall have to put this part of the return on Hansard.

Mr. BENNETT: No, you cannot do it in that way.

Mr. KINLEY: Shall I have to read it?

Mr. BENNETT: Yes.

Mr. KINLEY: Very well; it is as follows:

| — | April 30/30 1929–30 9 months | April 30/31 1930–31 | April 30/32 1931–32 | April 30/33 1932–33 | August 31/33 1933–34 4 months | Total |
|---|---|---|---|---|---|---|
| | $ cts. | $ cts. | $ cts. | $ cts. | $ cts. | $ cts. |
| Total revenue | 72,011 03 | 129,292 71 | 78,366 89 | 73,992 32 | 27,478 38 | 381,141 33 |
| Expenditures— | | | | | | |
| Wages and salaries | 49,440 34 | 70,071 98 | 61,138 55 | 51,829 86 | 17,657 92 | 250,138 65 |
| Power | 13,061 74 | 16,764 90 | 13,161 97 | 13,257 31 | 6,276 97 | 62,522 89 |
| Taxes, city | 13,069 60 | 19,530 00 | 18,425 00 | 18,150 00 | 6,050 00 | 75,224 60 |
| " provincial | 275 00 | 182 00 | 545 00 | 545 00 | 161 66 | 1,708 66 |
| " Workmen's Compensation Board | 1,015 34 | 1,200 00 | 1,203 64 | 1,030 26 | 351 26 | 4,800 50 |
| Water | 1,924 53 | 1,728 18 | 1,429 99 | 495 53 | 765 74 | 6,343 97 |
| Various | 17,053 30 | 21,114 58 | 15,693 94 | 11,364 97 | 2,716 64 | 67,942 43 |
| | 95,838 85 | 130,591 64 | 111,598 09 | 96,672 93 | 33,980 19 | 468,681 70 |
| Operating loss | 23,827 82 | 1,298 93 | 33,231 20 | 22,680 61 | 6,501 81 | 87,540 37 |
| Interest on bonds (Aug. 5/29, April 30/30) | 75,592 00 | 102,000 00 | 102,000 00 | 102,000 00 | 34,000 00 | 415,592 00 |
| Gross loss | 99,419 82 | 103,298 93 | 135,231 20 | 124,680 61 | 40,501 81 | 503,132 37 |

I thought I might be doing an injustice to business people with whom I am acquainted if I made a statement that was not well founded, and I therefore looked up the facts and this was the result of my examination.

Mr. BENNETT: The hon. member for Queens-Lunenburg (Mr. Kinley) has directed attention to my statement, which he seems to think was erroneous. I want to point out, first, that the site was let by the former government to the people who constructed the cold storage enterprise in the centre of the harbour facilities; second, that the work was constructed under the provisions of the Cold Storage Act, whereby a certain subsidy was available on the completion of the work; that subsidy was mortgaged for the purpose of paying the interest on the securities that were issued, and the securities issued were in accordance with the terms of the statute. That is what I was endeavouring to make clear to the hon. gentleman. That is, this work was not a private enterprise in the sense in which that term is used. It was an enterprise carried forward under the provisions of a special statute that provides for subsidies being given out of the public exchequer for cold storage facilities. Those facilities were erected in that harbour and my complaint was, if I might put it in that way, that I could not understand why any person would permit the centre of a harbour to be alienated by a long term lease to a private enterprise for the purpose of constructing facilities that were of the very essence to the successful marketing of perishable products such as fish. But the subsidy was a subsidy earned under the act, and that subsidy was mortgaged to pay the interest. That is what I had in mind with respect to the question of interest.

I will look further into the matter because, if I have misunderstood the situation, I shall certainly be glad to make a correction. But the revenue does not include the subsidy; that is my point. The revenue for the first nine months of 1929-30 was $72,000 odd. The next year it went to $129,000; 1931-32, $78,000; 1932-33, $73,000; 1933-34, four months, $27,000. The total revenue prior to 1934 was $381,000. But that has nothing to do with the subsidy, which under the trust deed was mortgaged for the purpose of paying the people who bought the securities, and the securities were put on the market on the basis of the subsidy thus being paid, as my hon. friend may recall. This was before the late government was in office. The expenditures do not deal with that phase at all but merely show the operating loss, being the difference between the revenue and the sum that was expended, exclusive of interest. After the first year the interest was a steady amount of $102,000, and for the four months of 1933-34, $27,000. The subsidy bore such close relation to the charges that they were able substantially to pay them, although not in full. When I say that the interest was paid, when they sold the plant to the harbour board they reduced the interest rate to three per cent, if my memory serves me correctly.

The order in council is P.C. 2195 and I am indebted to my hon. friend from Queens-Lunenburg for handing it to me from among his papers. The order in council is dated October 21, 1933, and after referring to what had taken place, that the cold storage plant had been offered for the price of $1,700,000, said purchase price to be satisfied by Halifax harbour commission debentures bearing interest at the rate of three per cent and to be for a term of five years, it says:

1. Whereas our study convinces us that private enterprise now has and will continue to have under present and anticipated near future general business conditions great difficulty in maintaining to the required extent the operation of all departments of the plant of the Nova Scotia Public Cold Storage Terminals, Limited,

2. And whereas the continued operation without interruption of all departments of said plant is essential to the adequate conduct of the business of the port of Halifax for the purpose of providing regulated temperature storage for all classes of perishable commodities which pass through the port, both export and import, and also for storage which the said plant provides,

3. And whereas the report of the Royal Commission on Maritime Claims in Par. 17, page 30, states:

"We must not underestimate the rapidity with which development of traffic can be expedited through the development of facilities for handling the traffic (including requisite cold storage) and through making known, by all the sources that are open to the energetic administration of harbour commissions in the shipping exchanges of the world, and to shippers, the facilities that are offered at any given port,"

4. And whereas the authority of the port of Halifax is in a position to eliminate duplications of cost if the operation of said plant is under its jurisdiction and at the same time is in a position to more adequately utilize the said plant in connection with harbour operations than is now the case.

5. And whereas there is a responsibility placed upon the authority of the port of Halifax to use its best efforts to encourage the fish industry through the port in so far as the provision of port transportation facilities is concerned,

6. And whereas the great desirability of recovering the site located in the centre of the ocean terminals which was leased in 1927 to the said company for 99 years at a nominal rental is a factor which very materially enters into the situation,

7. And whereas a joint appraisal has just been completed of the present day value of the plant and equipment of the said company all as located at the ocean terminals as aforesaid, which joint appraisal has been made and

certified to by J. J. Macdonald, chief engineer of the Halifax harbour commission, and by C. H. Pringle, appointed for such purpose by the hon. the Minister of Marine, and which joint report states that the physical valuation of said plant and equipment as of the present time is $1,683,441, and having in mind further that clause 7 of the lease from the crown (Department of Railways and Canals) made the 6th day of April, 1927, under which the Nova Scotia Public Cold Storage Terminals, Limited, are in possession of the property provides:

7. That should the lessee at any time during the term of this lease, except for the purposes of repairs to or renewals of the said buildings, and cold and dry storage plant or for causes beyond the control of the lessee, discontinue the operations of his cold and dry storage plant upon the said land for the full period of one year, this lease may, in any such case, at the option of the lessor, upon writen notice from the Minister of Railways and Canals to the lessee to that effect, be forthwith cancelled.

Then they can take over the property within thirty days at a value based upon the actual cost of construction and acquisition thereof to the lessee, less the amount of depreciation therein, as may be determined by three arbitrators who shall be appointed within the next succeeding thirty days. The order in council continues:

The minister, therefore, recommends that the Halifax harbour commissioners be authorized and empowered under section 10 of the Halifax Harbour Commissioners Act, being chapter 58 of the statutes of 1927, to acquire the property, assets and undertaking of the Nova Scotia Public Cold Storage Terminals, Limited, under the terms and conditions hereinbefore recited and subject to the further condition that the necessary resolutions of the shareholders and bondholders of the said Nova Scotia Public Cold Storage Terminals Limited, are duly passed at properly convened meetings of the said shareholders and bondholders approving of and accepting the terms of sale of the property, assets and undertaking as aforesaid, and the acceptance of the purchase price therefor in manner and form hereinbefore recited.

The minister further recommends that approval be given under section 18 of the aforesaid act, of the issue of $1,700,000 debentures of the Halifax harbour commissioners, dated 1st November, 1933, due 1st November, 1938, with interest at the rate of 3 per cent per annum payable half-yearly, principal and interest payable in lawful money of Canada, in full discharge of the purchase price of the property, assets and undertaking of the Nova Scotia Public Cold Storage Terminals, Limited.

The subsidy no longer became necessary as it was taken over in the public interest. Unfortunately—and I say this not in any fault-finding sense—it was discontinued and the minister gave them notice that the property was to be taken over at the cost to them, which was largely in excess of $1,700,000, less depreciation. If the amount could not be arrived at amicably, it was to be settled by arbitration.

[Mr. Bennett.]

Mr. KINLEY: The cost appeared in the order in council.

Mr. BENNETT: The amount arrived at by arbitration was $1,683,441, and they made it $1,700,000. Mr. Macdonald, the engineer who was taken over to England by Sir Alexander Gibb, was one of those who determined the value. I well recall that we asked the minister to get someone who had no relation to the martime provinces for the purpose of fixing the value, and he secured Mr. Pringle, a cold storage expert, who I believe had something to do with Canada Packers in Toronto. I was not, I think, in council the day the order was passed, but I am thoroughly familiar with the transaction. I was extremely anxious that someone outside the maritime provinces should estimate the value of this plant. That is how I say it was able to pay three per cent on $1,700,000, but the subsidy is in excess of that sum. I am not at the moment able to indicate whether it paid the interest on the original bond issue at five per cent, but the subsidy was marked for that purpose. I will look up to find out how much the subsidy was.

Mr. KINLEY: I have it here, $620,284.61.

Mr. BENNETT: Not for one year?

Mr. KINLEY: It was paid as the work was being constructed.

Mr. BENNETT: There was an annual subsidy that was to be continued.

Mr. KINLEY: They received $537,580.61 prior to August, 1931, and there was still $82,704 to come. I think they got thirty per cent, and I believe my statement is warranted, that the government took the property over after it became unprofitable to the private interests.

Mr. BENNETT: The lease which the government of the day made provided that if they abandoned the works, then the Minister of Railways could take it over at the price fixed in the lease, namely, the cost of the plant, less depreciation. If the amount could not be arrived at between the parties, it was to be settled by arbitration. As a matter of fact, the minister anticipated this action, first, because the private enterprise said they were losing money; second, because the harbour commission said they wanted the cold storage property and, third, because the bondholders threatened to foreclose. The lease contemplated that there should not be a foreclosure of that valuable property in the centre of the harbour. If the hon. member will look at the order in council again he will see that it

provides that should the private enterprise not operate the property he was to take it over, not as a party to a foreclosure but at a price. That price was to be the cost, less depreciation.

Mr. KINLEY: The cost to the lessee.

Mr. BENNETT: Yes, whatever it cost them to put the property there, less depreciation. That was a principal factor in determining the attitude of mind of those responsible for it. The private interests were desirous of discharging their obligations to the security holders who said they would take three per cent if the matter could be closed up. It was closed up, practically in accordance with the terms of the lease made by the government in 1927, namely, the taking over of the enterprise at the cost to the private company, less depreciation. When they could not agree, it was settled by arbitration, one arbitrator being Mr. Macdonald, who, I believe, represented the private interests, and the other being a gentleman who was more or less an authority on cold storage and who made a very detailed report. The arbitrators set the amount at $1,683,000, and we paid $1,700,000.

Mr. KINLEY: I find the following in the report dated March 22, 1932:

Re: Acquisition Halifax Cold Storage Plant by the Halifax Harbour Commissioners

This matter was the subject of some considerable investigation by Sir Alexander Gibb and his commission and the Halifax harbour commissioners made definite representations to the Gibb commission regarding the situation surrounding the cold storage plant and its acquisition by this commission.

Nova Scotia Public Cold Storage Terminals Limited was incorporated on December 28, 1926, under the Nova Scotia Companies' Act, for the purpose of constructing and operating at the port of Halifax a cold storage plant suitable to care for the requirements peculiar to the community.

The following securities were issued to finance this project:

Bonds—$1,700,000 (par value) 6 per cent dated Nov. 1/28.

7 per cent Cumulative preference shares $220,000 (par value).

$50,000 No par value common shares at $1 per share paid for in cash.

The cost figures as furnished us by the company are as follows:

| | |
|---|---|
| Payments to contractors as per evidence furnished to and accepted by Department of Agriculture under subsidy agreement | $2,067,617 76 |
| Cost of small subsequent additions | 3,185 16 |
| Discount and commission on securities sold to raise funds | 220,900 00 |
| Interest paid on bonds to November 1, 1931 | 306,000 00 |
| Total | $2,597,702 92 |

Deduct

| | |
|---|---|
| Received on account of subsidy to August, 1931 | $ 537,580 61 |
| Balance | $2,060,122 31 |

Add

| | |
|---|---|
| Premium on funds or cost of bond interest, approximately | 8,000 00 |
| Total | $2,068,122 31 |

Notes

Subsidy yet to come—still payable to company, $82,704.71—half of which is payable in August, 1932, and half payable in August, 1933.

Lease of property—The premises were leased to the company for a long period by the Department of Railways at a nominal rental of $100 per year. For the purpose of this statement, no value is placed on this lease.

Mr. FINN: What year was that subsidy in?

Mr. KINLEY: 1932 and 1933. It appeared that this company was unable to continue and the bondholders were getting anxious and held several meetings. There are letters on the file to show that they decided they would have to sell the property either to the government or to other private interests if the government would not take it over. Perhaps I should say harbour board instead of the government.

Mr. BENNETT: They are the same thing in this regard.

Mr. KINLEY: Mr. Pringle, the engineer, made an estimate of the cost and the depreciation some time before the final estimate was made. His first estimate was that the plant was worth $1,328,897. Another joint appraisal was made afterwards and the value was raised to $1,683,441.

Mr. BENNETT: He left out the value of the lease the first time.

Mr. KINLEY: The value of the lease was only $100 per year. I agree that it was left out, but it was not worth $300,000. Paragraph 7 of the order in council was invoked which reads:

That should the lessee at any time during the term of this lease, except for the purposes of repairs to or renewals of the said buildings, and cold and dry storage plant or for causes beyond the control of the lessee, discontinue the operations of his cold and dry storage plant upon the said land for the full period of one year, this lease may, in any such case, at the option of the lessor upon written notice from the Minister of Railways and Canals to the lessee to that effect, be forthwith cancelled, and the lessor shall thereupon take over and become owner of the said buildings and cold and dry storage plant, and shall pay to the lessee therefor the amount—

Now mark this:

—of the value of the said buildings and cold and dry storage plant as may then be agreed upon between the lessor and the lessee or—

This is the part that was invoked:

—failing such agreement within thirty days from the date of such cancellation the amount of the value of the said buildings and cold and dry storage plant, based upon the actual cost of construction and acquisition thereof to the lessee,—

Now what was the cost of this to the lessee?

Mr. BENNETT: $2,067,617.

Mr. KINLEY: Less depreciation, which brings it down to $1,683,000. And in that you washed out the government subsidy of over $600,000. Now, if I undertake to build a building, and you say that if it does not pay you will take it over from me at what it cost me, and you put in $50,000 and I put in $100,000, it did not cost me $150,000, it cost me only $100,000. It seems to me that the provisions of this order in council meant that these people should get back the actual money they put into the building, but the government bought back their own subsidy. It finaly cost the government $1,700,000 in bonds, plus the subsidy of $537,580.61; in addition it cost them another $82,704.71 in subsidy; and it appears from the records that there was another $60,000 as between the Halifax harbour board and the cold storage company, because there is an extra estimate of $60,000. It appears that these people originally put $50,000 into this plant; the government of Canada lost over $600,000, and it looks as though the promoters came out with a profit.

Mr. BENNETT: No, they lost $50,000.

Mr. KINLEY: I think they got an extra $60,000 in the settlement.

Mr. BENNETT: No.

Mr. KINLEY: I would not be sure about it, but it appears that way.

Mr. BENNETT: No. The order in council provides what they got.

Mr. KINLEY: There was a contract between the harbour board and the cold storage plant—

Mr. BENNETT: That may have been some cash they had.

Mr. KINLEY: The return indicates $60,000 extra estimates, as between the harbour board and the Cold Storage Company. I said it became a white elephant and all I want to do is to justify myself and the friends whom I know in many business ways in the city of Halifax, when I said the commission took this over when it was a white elephant. The statement of the leader of the opposition rather hit me cold, as I thought I knew what I was talking about, and I could not let his statement go. I knew that the minute I went there I would be told: Why did you go up there and say those irresponsible things? I wanted to be sure of what I said, and I think it is even worse than what I said. This is the order in council to which I have referred:

P.C. 2195

The committee of the privy council have had before them a report dated 16th October, 1933, from the Minister of Marine, submitting that he has had under consideration resolutions of the Halifax harbour commissioners recommending, for the reasons set out therein, that the said commissioners be authorized and empowered to acquire the property, assets and undertaking of the Nova Scotia Public Cold Storage Terminals, Limited, located at Halifax, N.S., free from all liens and encumbrances at the date of the taking over of such property, assets and undertaking by the said commissioners for the price or sum of $1,700,000, said purchase price to be satisfied by Halifax harbour commissioners' debentures to bear interest at the rate of 3 per cent per annum and to be for a term of five years from 1st November, 1933.

Having in mind reasons, inter alia, stated by the Halifax harbour commissioners in the aforesaid resolutions as follows:

1. Whereas our study convinces us that private enterprise now has and will continue to have under present and anticipated near future general business conditions great difficulty in maintaining to the required extent the operation of all departments of the plant of the Nova Scotia Public Cold Storage Terminals, Limited:

2. And whereas the continued operation without interruption of all departments of said plant is essential to the adequate conduct of the business of the port of Halifax for the purpose of providing regulated temperature storage for all classes of perishable commodities which pass through the port, both export and import, and also for storage which the said plant provides:

3. And whereas the report of the Royal Commission on Maritime Claims in Par. 17, page 30, states:

We must not underestimate the rapidity with which development of traffic can be expedited through the development of facilities for handling the traffic (including requisite cold storage) and through making known, by all the sources that are open to the energetic administration of harbour commissions in the shipping exchanges of the world, and to shippers, the facilities that are offered at any given port.

4. And whereas the authority of the port of Halifax is in a position to eliminate duplications of cost if the operation of said plant is under its jurisdiction and at the same time is in a position to more adequately utilize the said plant in connection with harbour operations than is now the case;

5. And whereas there is a responsibility placed upon the authority of the port of Halifax to use its best efforts to encourage the fish industry through the port insofar as the provision of port transportation facilities is concerned, and the operation of said plant by the port authority will permit of great assistance being given to the fishing industry;

6. And whereas the great desirability of recovering the site located in the centre of the ocean terminals which was leased in 1927 to the said company for 99 years at a nominal rental, is a factor which very materially enters into the situation;

7. And whereas a joint appraisal has just been completed of the present day value of the plant and equipment of the said company all as located at the ocean terminals as aforesaid, which joint appraisal has been made and certified to by J. J. Macdonald, chief engineer of the Halifax harbour commission, and by C. H. Pringle, appointed for such purpose by the honourable the Minister of Marine, and which joint report states that the physical valuation of said plant and equipment as of the present time is $1,683,441;

and having in mind further that clause 7 of the lease from the crown (Department of Railways and Canals) made the 6th day of April, 1927, under which the Nova Scotia Public Cold Storage Terminals, Limited are in possession of the property provides:

7. That should the lessee at any time during the term of this lease, except for the purposes of repairs to or renewals of the said buildings, and cold and dry storage plant or for causes beyond the control of the lessee, discontinue the operations of his cold and dry storage plant upon the said land for the full period of one year, this lease may, in any such case, at the option of the lessor upon written notice from the Minister of Railways and Canals to the lessee to that effect, be forthwith cancelled, and the lessor shall thereupon take over and become owner of the said buildings and cold and dry storage plant, and shall pay to the lessee therefor the amount of the value of the said buildings and cold and dry storage plant as may then be agreed upon between the lessor and the lessee or, failing such agreement within thirty days from the date of such cancellation the amount of the value of the said buildings and cold and dry storage plant, based upon the actual cost of construction and acquisition thereof to the lessee, less the amount of depreciation therein, as may be determined by three arbitrators who shall be appointed within the next succeeding thirty days, one arbitrator by the lessor, one of the lessee and the third by the two arbitrators so appointed:

The minister, therefore, recommends that the Halifax harbour commissioners be authorized and empowered under section 10 of the Halifax Harbour Commissioners' Act, being chapter 58 of the statutes of 1927, to acquire the property, assets and undertaking of the Nova Scotia Public Cold Storage Terminals, Limited, under the terms and conditions hereinbefore recited and subject to the further condition that the necessary resolution of the shareholders and bondholders of the said Nova Scotia Public Cold Storage Terminals Limited, are duly passed at properly convened meetings of the said shareholders and bondholders approving of and accepting the terms of sale of the property, assets and undertakings as aforesaid, and the acceptance of the purchase price therefore in manner and form hereinbefore recited.

The minister further recommends that approval be given under section 18 of the aforesaid act, of the issue of $1,700,000 debentures of the Halifax harbour commissioners, dated 1st November, 1933, due 1st November, 1938, with interest at the rate of 3 per cent per annum payable half-yearly, principal and interest payable in lawful money of Canada, in full discharge of the purchase price of the property, assets and undertaking of the Nova Scotia Public Cold Storage Terminals, Limited.

Mr. HOWE: Mr. Chairman, possibly I am late in raising this point of order, but may I remark that these items before us are for capital expenditure and have nothing to do with the cold storage plant.

Mr. KINLEY: That is capital too.

Mr. HOWE: Later we shall be passing the operating statement of the cold storage plant, and it seems to me that this discussion would be more appropriate at that time.

Mr. KINLEY: It might be more appropriate then, but it is in order now, I submit.

Mr. FINN: It has been said that "between craft and credulity the voice of reason is stifled." Fortunately I was not a representative of Halifax when the cold storage plant was constructed. I think in fairness to the hon. member for Queens-Lunenburg (Mr. Kinley) and also in fairness to the right hon. the leader of the opposition I should state my recollection as to this plant. I agree with one statement made by the leader of the opposition, and I saw a sound reason to-night for thinking that if he had remained on this side of the house he would have become a member of the profession represented by my hon. friend the Minister of Railways, and would have been lost to the legal profession, because he has shown to-night a very fine grasp of the engineering difficulties in connection with many public works the ramifications of which extend practically from one end of Canada to the other.

With reference to this particular work, as I remember it was started under a Liberal administration; then there was a subsidy given to it; the cold storage plant was carried on, and finally it got into financial difficulties. I think it went into liquidation, or there was an attempt to reorganize it and carry it on as a going concern independently of the harbour commission, who have it at the present time. As to the amounts of money that were placed in it, if I remember aright there was a subsidy of $500,000. The plant was built, and I think the right hon. leader of the opposition is correct when he says that perhaps a fine part of that great seafront was alienated from shipping when it was used as the location of the cold storage plant, and that there were other places where that

plant could have been put with greater advantage to the broader shipping interests of the port of Halifax. But the plant continued to be in a see-saw position, and finally it was taken over. I do not know who constituted the Nova Scotia Cold Storage Company, Limited. I do not know whether there was a reorganization after there had been talk of liquidation. All I know is this, that in so far as that plant was concerned there could not be a very great depreciation because it is a structure that has not been built very long, and if the development of the port of Halifax is what we hope it will be, I believe that plant can be operated under the Minister of Transport and his board and made a success. I have no doubt that there were certain moneys involved in its construction, both under the company and through the subsidy which was given by the government. I had no opportunity of looking into this question, but as it is a matter relating to the city of Halifax, of which I have the honour to be one of the members, and my own colleague not being in the chamber at the moment, I make this explanation.

Mr. ISNOR: He is here.

Mr. YOUNG: He is always here.

Mr. FINN: I am very glad my hon. friend is here. I did not think he was very far away, because we find that he turns up at the right moment, and while we may have some disagreements over matters that concern only ourselves, I hope we are not going to be at sword's point on the particular issue that is involved in the matter which has been brought up to-night by the hon. member for Queens-Lunenburg and answered by the right hon. the leader of the opposition. I was tired; I had an appointment with my couch, and if I had known my hon. friend and colleague was here I would have retired. But when I looked about me I did not see that fine personality, and I did not think I should allow an opportunity to pass to say something in regard to the port of Halifax, in connection with construction that was carried on there, not in my time but in the latter days of the Liberal administration, continued under the right hon. leader of the opposition and finally taken over by the harbour commission under his jurisdiction when he had the honour of being Prime Minister of Canada.

Mr. BENNETT: I want to correct one misapprehension, even though it may delay the committee for a moment. Shortly, the position is this: 1. The government of the day leased a property for ninety-nine years at $100 a year for the construction of a cold storage plant. 2. The Department of Agriculture was satisfied and gave certificates that the cost was $2,067,617. 3. There were outstanding against the property securities to the extent of $1,700,000, carrying interest at the rate of six per cent per annum. 4. Having regard to the terms of the lease, which provided that if taken over the property should be valued at cost less depreciation, a decision was arrived at that the value was $1,683,000, or, in round figures, $1,700,000, being the amount of the bonds. The net result was that the proprietors or promoters, if you call them such, lost every dollar they had put into the enterprise, and the bondholders got three per cent harbour commission securities instead of the six per cent securities they formerly held upon the property. If my hon. friend from Queens-Lunenburg, from the remarks I made the other evening, concluded that I endeavoured to convey the thought that five per cent interest had been paid, then it was perfectly proper for him to direct attention to the fact that such was not the case. I spoke very rapidly, making an interjection in the midst of what was said, but what I endeavoured to make clear to him was that the interest of the three per cent securities had been paid since.

Mr. KINLEY: By the government?

Mr. BENNETT: By the harbour commission, and that was all I desired to say. It was not, therefore, taken over as a white elephant; it was taken over at the instance of the harbour board for reasons that I think should be apparent to anyone. To have that property, under those circumstances, in the middle of the harbour facilities at Halifax was not in keeping with what they conceived to be the best interests of the port. They were clamouring for it, but it was not delivered over to them in such a way that those who had put their money into it saved anything. The property passed to the harbour board for the amount of the outstanding bonds, at the new rate of three per cent instead of six per cent. The bondholders now have bonds of the harbour board instead of the long term six per cent securities they had, which were based upon a trust deed securing the property and the lease. The lease itself, at $100 per annum for ninety-nine years, was valued by some person at a very high figure, having regard to the location of the property.

Mr. KINLEY: I do not desire to enter into any further discussion with the right hon. gentleman; the return is on Hansard, and the return can speak for itself. I want to say to my hon. friend from Halifax that they took very little off for depreciation. There was a

refrigerating plant that cost about $90,000, that had to be washed out, and the allowance for depreciation under the circumstances was very small.

Item agreed to.

Chicoutimi harbour improvements—improvement of roadways, $17,000.

Mr. BENNETT: We will discuss this when the other items are under consideration.

Item agreed to.

Montreal harbour improvements—
Dredging by harbour plant, $90,820.07.
Strengthening of sections 30-31 and 39-40, $225,000.
Strengthening and repairing Imperial Oil wharf, $50,000.

Mr. HOWE: I may say that this is new capital expenditure in the port of Montreal. We have a dredging fleet of our own there, and it is customary to do a certain amount of work adjacent to wharves. That has been done for some years. The other item is for work in connection with deepening; it is minor work and is intended to be done by the harbour's own staff. There is also the strengthening of sections 30-31 and 39-40, and the repairing of the Imperial Oil wharf.

Mr. STIRLING: What sort of strengthening?

Mr. HOWE: The difficulty there is that the wharf is pushing out due to the loads. This is to drive piles in and put up platforms to relieve the pressure, so that the wharf can be used for heavy storage.

Mr. STEWART: The Public Works Construction Act, to which I return from time to time, contained a provision that in the carrying out of contracts of this kind tenders should be invited and the contracts should be awarded under the direction of the governor in council. I should like to ask the minister what is the intention of the government in that respect.

Mr. HOWE: I may say that it is the intention to call for tenders for this work.

Mr. STEWART: I do not mean the work that is to be done by the harbour plant.

Mr. HOWE: The harbour act provides that all work costing over $10,000 must be let by public tender, and we intend to follow that provision.

Mr. BENNETT: May I direct the attention of the right hon. Prime Minister to a matter we have been discussing this evening, namely the passing for the second time of estimates with respect to public expenditures. In these supplementary estimates we are dealing with about $30,000,000 that this house passed last year, item by item. There was no limitation as to time placed upon these items; in other words the appropriations thus made by parliament, item by item, were not appropriations that lapsed on the 31st day of March, 1936. We are now engaged in passing these same items in their entirety, although part of the expenditures have been made and apparently the auditor general has found them satisfactory. I cannot understand just why we should ask parliament to pass a second time items that have been considered and passed by parliament in detail. This is not a question of a blank cheque; these are items that were considered and passed in detail; the numbers of the items of last year could be given and were given this evening. In these circumstances it would seem that these estimates have been padded by something like $30,000,000. That is, instead of providing for new expenditures these items are for expenditures on works that are partly under contract and partly in process of completion. In one instance new plans were necessary because of certain developments that took place after the original contract was made, but in any event all these expenditures have been passed by parliament. They formed part of the act assented to by his excellency last year. I do think it is improper, shall I say, to ask parliament to pass for the second time and for the full amount, the same items when a part of the expenditures thus authorized by parliament last year has been made and the auditor general has approved of payments made under the authority of those items.

Mr. MACKENZIE KING: May I say to my right hon. friend that the government is simply carrying out what its members contended, when they were in opposition, should have been done by the then government, namely voting the supply necessary for the fiscal year, and in that way giving parliament complete control and complete knowledge of all expenditures for the year. We take the position which was always taken until my right hon. friend came into office, that parliament's power in voting supplies should be restricted to voting supplies only for a year at a time. When expenditure on public works have extended over more than one year, amounts unnecessary to complete the works were revoted. Take the public works estimates. As the ex-Minister of Public Works (Mr. Stewart) well knows, where the public works might take three or four years to construct certain sums would be voted each year, and what was not

spent in one year of the amounts so voted was revoted in a subsequent year. That is the only way in which it is possible to distinguish what is properly chargeable to one year and to another. It is equally important that there should be a distinction between what is properly chargeable to one administration and what is properly chargeable to another. That is an additional reason why this year we are asking parliament to vote what is essential to carry on work being done in the present fiscal year. It is simply keeping the control of the House of Commons over expenditure in a manner that makes the contemplated expenditure intelligible to this house and intelligible to the public, and on record in a form which will be of service to those who have to do with the finances of the country in years to come.

Mr. BENNETT: The right hon. gentleman apparently forgets that the statement he makes is exactly at variance with what the practice has been. I wonder whether he forgets the appropriation of a given sum we made for the federal district commission for many years. I wonder whether he forgets the appropriation made by statute for technical education. When an appropriation is made by statute it becomes payable out of the consolidated revenue fund. For instance, old age pensions are not in the appropriation bill this year. Why not? Because the statute provides that whatever sum is necessary shall be taken out of the consolidated revenue fund. The Public Works Construction Act was exactly of that nature. Every item was considered and dealt with by the House of Commons, and to the extent that the House of Commons approved, the appropriation bill which is now a chapter of the statutes of Canada for last year and the year before indicates the maximum expenditure that can be made. And it is unnecessary to vote an amount from year to year, in the same way that it is unnecessary to vote judges' salaries, or to vote any charge against the consolidated revenue fund where a given sum is to be paid for a given number of years—the federal district commission is an illustration—or where you have it during a term, such as the natural life of judges or other officials. Another class is where a given sum is appropriated, such as $10,000,000 or some other such sum. Technical education is an illustration; another would be the Public Highways Act. Those are appropriations made by parliament of lump sums, and each year in the public accounts there appears a statement as to what has been expended, so that the balance is then available within the period of time indicated for the purpose for which parliament appropriated the money.

This act comes clearly within that category. We voted for public works and undertakings the sums of money set opposite each particular item; when they were crystallized into a statute, as they were, and the only interest that governments have each succeeding year is to determine how much still remains available for that purpose. When it is found that an extra amount is required the minister comes in, just as he has done here in one case, and says that a further sum is required and that sum appears in the estimates.

As the matter stands now these estimates are deceptive, because if they are going to be voted, the house must vote only the balance and not the whole, and now the vote is being asked for the whole. When the right hon. gentleman says "so that one administration may know where it is with respect to the preceding administration," that can be determined only if the balance is voted, not the whole. But he is voting the whole.

I raised the point only because I thought there was an oversight. I did not think for a moment that the right hon. gentleman thought the whole amount should be voted when only part remains to be expended. I thought it was put in without realizing that there had been a substantial payment made. That having been paid, the only amount parliament should vote would be the balance, and it is unnecessary to do this unless there is a limitation of time within which the first appropriation would lapse. As there is no provision for the lapsing of the appropriation it still continues in full force and validity, the same as the Technical Education Act or the Judges' Act or old age pensions, or any act that authorizes a charge against the consolidated revenue fund, as did the public works construction acts of 1934 and 1935.

Mr. MACKENZIE KING: When my right hon. friend uses the word "deceptive," it makes it necessary for me to say that the deception, if there was any, was a deception practised by himself when he was on this side of the house.

Mr. BENNETT: All right, we will deal with that; do not make any mistake.

Mr. MACKENZIE KING: My right hon. friend used the word "deceptive."

Mr. BENNETT: I did, and it is true.

Mr. MACKENZIE KING: And I give back to him his own words. I say, that is

what he did when he was on this side of the house.

Mr. BENNETT: If someone will hand me the statute—

Mr. MACKENZIE KING: Yes, he enacted a statute, and for what purpose? Let me give an example. He enacted a statute making provision for a barracks in his own city of Calgary which was to cost more than a million dollars. He knew that if he put the item in the regular supply bill, all that this parliament could be asked to vote would be enough to cover the work for one year. When supply came up in subsequent years parliament would be asked to vote what further amounts might be necessary for each succeeding year in turn. But in order, I assume, that there should be only one consideration of this subject, my right hon. friend put the total amount required in a special act of parliament and asked parliament to vote this amount, in the name of relief for the unemployed, where the real purpose was to build a barracks for the mounted police in Calgary.

Mr. BENNETT: It was not the mounted police; it was the permanent militia.

Mr. MACKENZIE KING: The permanent militia, I should say. And having arranged for the appropriation by a special statute, he says the work should be carried on possibly for the next two or three years, chargeable to the incoming administration, but that the new government has no right to draw the attention of parliament or the country to that fact or to that method of dealing with public moneys. That is wherein, at the time, we said there was deception in the manner in which these appropriations were being made. There was deception in yet another way. The house and the country were told that this money was necessary to help the unemployed. It was not intended for the unemployed at all; much of it was meant to build barracks or armouries or other undertakings of that kind which my right hon. friend knew very well this house would not have been prepared to vote in the regular way. It was for that reason these buildings were charged up to unemployment relief account instead of to National Defence or Public Works of the character mentioned.

In regard to moneys being voted by a statute, may I draw the attention of the house to the fact that where a statute does provide sums for such purposes as mentioned, attention is drawn to that very fact in the estimates. I have in my hand the estimates for this year for the administration of justice. Here are the amounts required for the fiscal year, at the bottom of the page in connection with the summary; amount to be voted, so much, authorized by statute, so much.

Mr. BENNETT: The house does not vote it.

Mr. MACKENZIE KING: No, but attention is drawn to the fact that there has been a special statute making the appropriation. All amounts required for the fiscal year are shown in that way. But as my right hon. friend knows there is a great difference between a statute which makes provision for some service that in the natural order of things is to run over a course of years, as for example property to be maintained by the federal improvement commission, and the regular supply bill. It is well known that the commission will carry on its work for a number of years, and provision is made up to a certain point by statute on maintenance account, so that the commission may plan ahead with an assurance that the necessary amount will be forthcoming every year. However, we come to a quite different category when we deal with public buildings and works. May I draw attention to the fact that all that is contained in these estimates is in the nature of special estimates, the greater part of which are in connection with making provision for employment and relief. It is essential that there should be a very clear line of demarcation between what is being expended in any one year and what is being expended in the following years. The estimates have been prepared in this way just to avoid any deception and to bring to the attention of hon. members and the country that which is properly chargeable to one fiscal year and that which is properly chargeable to another.

Also, may I add, there are in these estimates a number of undertakings which the present administration would never have thought of entering into, if they had not been commenced by the previous administration. My right hon. friend now says, "Do not mention these things; you have no right to bring them to the attention of parliament. You ought to have left them alone. The sums necessary to complete them were voted by statute which binds you for years to come." The position we take is just the opposite. We believe the public and this House of Commons ought to have their attention drawn to all outlays, and we have done so in part by separately indicating projects which are already undertaken and which have to be continued or left as waste. We have distinguished those projects from other projects which we feel are justified

from the point of view of helping to afford employment, but which in addition may be justified on grounds of being necessary at some time, either at present or of necessity later on.

I do not think there is any ground for taking exception to parliament discussing twice a matter which ought perhaps to be discussed ten times.

Mr. BENNETT: Mr. Chairman, if the right hon. gentleman's memory was as accurate as it should be he would remember that we gave effect to the very contention which he has made, in the statute in question. By section 4 we find that:

> The governor in council may pay out of moneys provided for that purpose in the consolidated revenue fund such sums of money as may be necessary for all or any of the purposes of this act, not exceeding in the aggregate the sum of forty million dollars.

That is found in chapter 59 of the statutes for 1934, assented to on July 3 of that year. Then, in a schedule is found a detail of every item, there being 182 in all. Having regard to what was said by the right hon. gentleman and his friends, we provided by section 10 that:

> The Minister of Finance shall make a report to parliament within the first thirty days of each session during the currency of this act, containing a statement of all moneys expended under the provisions thereof and the purposes to which they were applied.

The act as framed and passed met the very contentions of the right hon. gentleman. I recall his making them. In our desire to try to meet his, shall I say critical views, possibly exacting views, we provided first of all that the details of the 182 items should be given. We provided, second that the entire cost should not exceed the sum total of the estimated cost, namely $40,000,000, and provided, third, that in each year while these works were incomplete the Minister of Finance should lay before parliament a statement showing what sums had been expended, and for what purposes. That is, there was complete parliamentary control of the situation.

Let us deal with the second argument. The second argument is that these were not relief measures in any sense, and that although the preamble adopted by parliament declared that the measure was "to accelerate recovery to more normal economic conditions" and to place money in circulation for the purpose of tending to increase employment and reduce expenditures for relief purposes, the right hon. gentleman says that is not accurate and that "Bennett desired to build a barracks at Calgary, and he chose this method to do it." I have explained the matter often; it seems unnecessary to do it again, but I shall do it because the constant reiteration of a statement which is unwarranted very often induces people to believe that it has some substance in fact.



The truth is that for many years the Department of Militia have been endeavouring to secure adequate accommodation for their permanent unit, and it will perhaps please the right hon. gentleman to know that owing to the physical configuration of the land upon which these facilities are being provided, a distinguished British officer passing through this country within the last month expressed the view that this was the finest lay-out he had seen in the British empire, because it lent itself to this particular type of development.

If we have a permanent militia—and we have—either we will provide for it or we will not. As a matter of fact when this item was first brought up I had not any idea that an expenditure at Calgary was contemplated. It was not done for the purpose of endeavouring to have it dealt with in any way other than the regular manner. Discussions had taken place from time to time, and on more than one occasion—once in the public press—the right hon. gentleman referred to it as being for the mounted police. The very appropriation asked for by the Minister of National Defence with respect to air facilities involves the utilization of these premises for that purpose.

But let us look at the matter in another way. The other answer is this: If these works and undertakings are not for relief purposes, then the government has stultified itself, because times without number the Minister of Labour has declared that when this bill was brought down it would contain provisions which would indicate what was intended to be done, and the very class of expenditures provided for in the Public Works Construction Act of 1934 are continued in these appropriations. So that if these appropriations are for relief purposes, then the appropriations of 1934 and 1935 must be. And if the appropriations for 1934 and 1935 are not valid appropriations for relief, then all this story we have listened to for weeks, as to what was to happen when the bill was brought down showing the broad intention of the government with respect to providing relief measures, is wholly unsound and unwarranted. Surely the right hon. gentleman must take either one horn of the dilemma or the other, because he cannot allege on the one hand that the provision we made to deal with the situation was deceptive

when, on the other, with an exactly similar project upon which not a cent has been expended he takes a similar course. He cannot say that one is deceptive, unless the other is also.

But I go further. I will take one item, a very simple one. In part of item 373 we are asked to vote $20,971. We know that $242,000 has already been expended there. As I said it is an illustration of a proper item to be in this estimate. But when you come down to an item in connection with the city of Quebec, for instance, and dredging at Wolfe's Cove, an item of $179,906.70, we find that part of the money has been spent. The minister was good enough to say it was true that the contract had been let, and part of the work had been done. It was let months ago, because it was desirable to do it in the fall, if possible, so that the berthing of ships would not be interfered with in the spring.

Therefore we get down to this, that if these projects are sound to-night they were sound in 1934, and if they were sound in 1934 or 1935 they are sound to-night, because they are similar. Secondly, if it was deception to ask parliament to vote these items giving in detail the estimated expenditures, it is equally deceptive, if not more so, to assert that an entire sum, part of which has been expended, shall be available when it is not available. In fact, if the Prime Minister will be good enough to look at his own estimates he will find that he has already given some notice to the public that they are not a correct statement of what can be spent. The summary given at page 18 shows that the projects already undertaken involve $30,418,341.66 of the total. I was pointing out that of that sum part had been spent. The minister who has been dealing with his estimates was good enough to indicate to us how much still remained to be expended out of these sums.

There is no necessity to make unwarranted observations with respect to the matter. I was pointing out what I still think is unsound constitutional practice, for the auditor general in making his examination of estimates has before him the statutory authority. That statutory authority was chapter 59, the Public Works Construction Act, 1934, with 182 items, and he checks against that. Now, when this appropriation bill is before him, containing a repetition of the same figures, he is going to be in the difficulty of finding substantial portions of that already spent and noted in his books, while the appropriation is for the whole sum. The minister assures us that it is intended not to increase the amount available but to leave it at what it originally was. Therefore the auditor general will have before him two statutes, one of them chapter 59. Take one item, for example, for $25,000. The other statute would be the chapter that this appropriation bill happens to be, containing the same item of $25,000, which makes a total of $50,000. Now, under the Public Works Construction Act, 1934, chapter 59, the limitation on the total expenditure was $40,000,000, and the ministry is required by law to present within thirty days a statement showing the expenditures made, so that the incoming administration may know what sum has not been spent and what has been.

I only suggest in the best of good faith that if the Prime Minister would look into this he would observe that a parliamentary practice is being established which is novel in character, without precedent, and which involves the making available so far as the auditor general is concerned of, in some instances twice the amount that parliament intended to make available for the particular purpose indicated either by chapter 59 of 1934 or by the appropriation act that may be based upon these estimates.

Mr. MACKENZIE KING: I do not want to take up the time of the committee, there is not much time left, but may I just link up what I have to say with the remarks made by the leader of the opposition with respect to the Calgary building. He says that building was needed for the permanent force, that there was there an excellent site and that it was needed for military purposes. If that was the case I say that my right hon. friend, when he was in office, should have had the amount necessary placed in the regular estimates of either the Department of Public Works or the Department of National Defence. Then parliament would have been voting, without any possibility of deception, money intended for military purposes. Had those estimates been brought down in that form parliament might have voted any sum, but all that could have been spent without an additional appropriation, thus bringing the question before parliament again, would have been the amount provided for in the fiscal year to which the appropriation applied. That would have been the regular and proper way to proceed, but according to what the leader of the opposition says his government did not proceed in that way. Though the building was wanted for military purposes; though it was properly an appropriation for the Department of National

Defence or for the Department of Public Works, constructing a building for the Department of National Defence, it was placed in a statute which purported to be a measure for the relief of the unemployed. Parliament was asked to vote these large sums for unemployment relief purposes. My right hon. friend and his friends were thereafter in a position to go out to the country and say: Here are the total sums we have voted for unemployment relief, while presumably from what we are now being told there was no thought of spending the greater part of these sums for the next couple of years.

What we have done is to take projects, such as this which were on the list for purposes of relief and examine them and find out if work upon them has already been undertaken. If such were the case and to cease work would have meant throwing away the money already expended, we have continued the projects and are now asking parliament to vote the necessary amounts to complete them. What has been already spent was spent in the last fiscal year. What we are asking parliament now to do is to vote enough money to complete these works which, if they are not completed, will simply mean just so much money has been completely thrown away, and the works left totally unfinished. But where there are works which are specially needed and which are required for, say the Department of Public Works or the Department of National Defence, they will appear in the regular estimates for those departments. They will not appear in these special estimates which are primarily for the purpose of relief.

There are some new projects which are added here. Take the public works shown n the estimates. These works would not have been gone on with, at this time, if it were not that there is need for furnishing employment in these different communities. For that reason the government has decided to ask parliament to vote these moneys now. But it will be noted that in the regular estimates there are various items which relate to the regular work of these departments, and parliament in voting these amounts will be voting just what it would be called upon to vote if there had not been any period of depression at all. I think that keeping the items distinct, distinguishing between what is regular expenditure and expenditure arising out of the depression, is entirely the correct way of bringing before the country the state of the finances and what the depression is costing. Certainly voting moneys for a period of one year at a time is the traditional and correct method where parliament is being asked to vote money for public expenditure.

[Mr. Mackenzie King.]

Mr. BENNETT: I am so sorry that the right hon. gentleman should have made the next to the last statement that he did. He said that these estimates covered works which were not such as would be dealt with by the main estimates.

Mr. MACKENZIE KING: At this time.

Mr. BENNETT: All right. Take item 357:

Extension of existing facilities—
Trenton, Ontario—Royal Canadian Air Force station—single officers' building—married airmen's quarters—married officers' quarters.

The total of the item is $430,000. Take the next one:

Ottawa, Ontario—Rockcliffe air station, Royal Canadian Air Force—men's barrack building, $160,000.

Take the next item, number 359:

St. Johns, P.Q.—Garage at permanent force barracks, $22,000; administration building, $100,000.

Take the next one:

London, Ontario—Garage for Royal Canadian Army Service Corps vehicles at Wolseley barracks, $20,000.

Take item 364:

Esquimalt, B.C.—Joint service magazine, $125,000.

All these items are in exactly the same category as Calgary barracks. They never had any place in the estimates of 1935 or in the Public Works Construction Act of 1934. They are new. We never heard of them at all until they came down in these estimates. That is a complete refutation of the argument which the right hon. gentleman just now advanced.

Mr. MACKENZIE KING: No. Take the item my right hon. friend quoted covering the extension of existing facilities at Trenton, Ontario, Royal Canadian Air Force station. My right hon. friend started these works at Trenton.

Mr. BENNETT: No, no.

Mr. MACKENZIE KING: These are National Defence projects already undertaken.

Mr. BENNETT: These are not undertaken; these are new.

Mr. MACKENZIE KING: These are extensions of existing facilities.

Mr. BENNETT: But we did not undertake them.

Mr. MACKENZIE KING: If these facilities were not existing and did not require an extension these items would not appear here at this time. These are in the nature of extensions to works already in existence. It might be said that this is in a way killing two birds with one stone, making necessary extensions and giving employment to those who need it.

Item agreed to.

Progress reported.

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

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## Monday, May 4, 1936

The house met at three o'clock.

### THE LATE D'ARCY B. PLUNKETT

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, it is seldom we advance very far in any parliament before we are reminded that, one by one, our ranks are certain to be thinned by the hand of death. Mr. D'Arcy Britton Plunkett, representative for Victoria, is the first member of the new parliament to have been taken from our midst. His death occurred only yesterday after an exceedingly brief illness, so brief in fact that many hon. members of the house were not aware of his indisposition until they read that he had passed away.

Mr. Plunkett was in his sixty-fifth year, and was unmarried. The circumstance that his death should have occurred in this city while he was attending to his parliamentary duties, that for this reason he should have been away from the many friends and associations of the constituency he represented, and that because of the seriousness of his illness it was impossible for any of his fellow members and associates in this city to have much in the way of contact with him in his last days, adds not a little to the feeling of sadness which we all experience at this time.

Mr. Plunkett entered parliament in a by-election in December, 1928. He was reelected at the general elections of 1930 and 1935. I shall leave it to my right hon. friend the leader of the opposition (Mr. Bennett) to speak of his public services. To my right hon. friend Mr. Plunkett was not only a very loyal supporter but a very true personal friend. I hasten at once to express to him on behalf of the government and of all hon. members on this side, and also to hon. members of his party our feelings of very sincere sympathy with them in the loss they and their party have sustained. May I say that the sense of personal loss which they experience will I am sure be shared in large measure by all who sat in previous parliaments with Mr. Plunkett, and also by others whose privilege it was to come to know him since the opening of the present parliament.

I should like on behalf of all hon. members to add a brief expression of sympathy with Mr. Plunkett's brothers and his nephews, who I understand, are his only immediate surviving relations and also a word of sympathy with the city of Victoria, which has lost its representative in this parliament.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, the generous terms in which the right hon. the Prime Minister (Mr. Mackenzie King) has spoken will not soon be forgotten by those of us who knew Mr. Plunkett as friend and colleague. I should like on my own behalf as well as on behalf of those with whom I am associated to express to the right hon. gentleman, not as leader of a party but as leader of this house, our very sincere and grateful appreciation of his kind words on this occasion.

We are once more reminded that death is ever with us. The sickle of the grim reaper has appeared very early in the life of this new parliament. Out of two hundred and forty-five members one has been taken from us, although it is now but May and we first met in February.

Mr. Plunkett came into the House of Commons in a by election in 1928. He was reelected in 1930, and in 1935 he was again reelected after a very strenuous contest. If one were to ask what qualities ensured his election in the city of Victoria I would say that essentially the first was that he was a man of integrity and of the highest character. He was not a man who wore his heart upon his sleeve, and many who did not know him little appreciated the kindly heart that beat under a somewhat, shall I say, rugged exterior. But those of us who came to know him realized not only that he was a man of character and integrity and of great simplicity and directness in speech and action, but that he was possessed of a sense of loyalty that nothing could destroy. He was proud of his city and proud to be the member for Victoria—prouder than most men who represent constituencies, because he had been absent in the great war for a very considerable time, and came back only to find confusion in his own business. When he was elected he felt it was indeed the proudest moment of his life. His pride in Victoria he expressed in many ways.

As a public man he took but little part in the debates of the house, but he was most regular in his attendance both in the chamber and in committee, and made himself singularly well informed with respect to all matters which engaged the attention of parliament. Over and above all that he was a man of great industry, although that fact may not have been apparent to those who sat in the chamber with him. He attended to his correspondence in a manner which I believe commended him to his constituents; he was always busy looking after the interests of his friends and constituents, whether they were his political supporters or otherwise.

He was a great Canadian in the sense that he believed in his country, its destiny and its future. Although he represented the city of Victoria, in the far west, he never forgot that in Ontario he had first seen the light. Obviously his loss to all of us is great, but even greater to those of us who knew him better than to others who knew him only casually. While in the first loss of a member of this parliament the house as a whole has suffered a bereavement that is not easily understood, we, small in numbers, who sit to your left, Mr. Speaker, have lost a well beloved comrade and colleague and one who by his loyalty and devotion to those with whom he was associated and to his party had greatly endeared himself to all of us.

I never think of the passing of one who is active in public life and who has to endure all that public men must endure,—the vicissitudes of life, the vicissitudes of position, criticism, sometimes unreasoning, and commendation sometimes equally unreasoning —without recalling those beautiful words of Shelley. I believe upon this occasion I might well repeat them as indicating what must be the position of those who, in the midst of their public duties, are struck down and go to their reward:

> He hath outsoared the shadow of the night;
> Envy and calumny and hate and pain,
> And that unrest which men miscall delight,
> Can touch him not, and torture not again;
> From the contagion of the world's slow stain,
> He is secure, and now can never mourn
> A heart grown cold, a head grown grey in vain.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, may I simply say that we in this corner of the house join with other hon. members in expressing our regret at the passing of our late colleague.

[Mr. Bennett.]

## CANADIAN RADIO COMMISSION

### CONCURRENCE IN SECOND REPORT OF SPECIAL COMMITTEE

Mr. A. L. BEAUBIEN (Provencher) presented the second report of the special committee appointed to inquire into the operations of the Canadian radio commission and its administration of the Canadian Radio Broadcasting Act of 1932 and amendments, and the regulations made under authority thereof, and moved that the report be concurred in.

Motion agreed to.

## QUESTIONS

(Questions answered orally are indicated by an asterisk.)

### ROYAL CANADIAN MOUNTED POLICE BARRACKS

Miss MACPHAIL:

What was the total sum of money spent in the last three years on Royal Canadian Mounted Police barracks, officers' residences and furnishing of same?

Mr. LAPOINTE (Quebec East):

| | |
|---|---|
| Barracks— | |
| (a) Direct payments from R.C.M. police appropriation | $ 423,855 99 |
| (b) Disbursed by Department of Public Works for R.C.M. police | 145,984 37 |
| (c) Paid direct from Department of Public Works appropriation | 312,180 66 |
| Officers' residences— | |
| Rentals, etc., from R.C.M. police appropriation | $ 134,628 32 |
| Furnishings— | |
| From R.C.M. police appropriation | $ 855 64 |
| Total | $1,017,504 98 |

### GRAND TRUNK RAILWAY STOCKHOLDERS

Mr. STEVENS:

1. Was a petition, signed by the first and second preference stockholders of the Grand Trunk Railway Company of Canada residing within Great Britain, submitted to parliament in the year 1930?

2. If so, was any action taken by parliament or by the government in connection with the claims indicated in the said petition between the date of its presentation to parliament to date?

3. Will the government consider the advisability of submitting this petition to a committee of the house, and to permit the petitioners or their representatives to be heard before such committee?

Mr. MACKENZIE KING:

1. Yes.

2. No.

3. Proceedings have been undertaken on behalf of all of the stockholders of the Grand Trunk Railway Company of Canada, seeking an adjudication by the Canadian courts of the rights of the stockholders. The government does not consider it advisable to submit the petition to a committee of the house.

SMALL LOAN COMPANIES

Mr. CHURCH:

1. What are the names of the small loan companies incorporated by federal authority, the past ten years, whose head office is located in the city of Toronto?

2. Have any complaints been received in reference to the high rates charged by these money lenders on small loans?

3. Who are the directors of these companies?

4. What rates are they allowed to charge by law?

5. Will any steps be taken by the government to cancel the charters of money lending companies charging exorbitant rates of interest, or to further regulate such matters?

Mr. DUNNING:

1. Central Finance Corporation; Personal Finance Corporation and The Small Loan Company of Canada.

2. Yes.

3. Central Finance Corporation, directors: B. E. Henderson, F. B. Hubachek, A. P. Reid, D. D. Macleod, and W. H. Despard. Incorporated June 11, 1928.

Personal Finance Corporation, provisional directors as at date of incorporation July 3, 1934 (not yet organized): Albert Burton Rose, Morris Jacob Weiss, and Sidney Druckman.

The Small Loan Company of Canada, provisional directors as at date of incorporation July 3, 1934 (not yet organized): R. J. Cutten, E. L. Chudleigh, A. D. H. Cutten, C. L. Dunbar, and A. C. Dunbar.

4. (a) Under the acts of incorporation of the companies: interest, 7 per cent per annum in advance; expense charge, 2 per cent of the amount of the loan; chattel mortgage fee, actual disbursements not exceeding $10. (b) Under the act, chapter 56 of the statutes of 1934, the foregoing charges must not exceed 2½ per cent per month of the monthly balance owing by the borrower.

5. The government has no power to cancel the acts of incorporation of companies restricting their charges to those mentioned in No. 4.

CARRIAGE OF SECOND AND THIRD CLASS MAIL

Mr. CHURCH:

1. What loss does the Post Office Department sustain per annum in carrying newspapers and other similar periodicals at a cut rate for this class of mail?

2. What is the difference between the actual cost to the department, per annum, and that received for transmitting second and third class mail accordingly?

Mr. ELLIOTT (Middlesex):

1. Second class matter:—

| | |
|---|---|
| Cost | $5,958,754 |
| Revenue | 1,680,500 |
| Loss | $4,278,254 |

2. (a) Second class matter: difference $4,278,254. (b) Third class matter: exact figures from year to year as to the revenue derived from third class matter not available. Postage stamps are used to prepay postage on third class as well as first class mail, and it is not economically practicable to separate the revenue derived from these two classes.

Note:—Postage on newspaper mailings is paid in cash and can be readily kept separate from postage on other classes of mail paid by postage stamps.

POST OFFICE RENTALS FOR PUBLIC BUILDINGS

Mr. CHURCH:

1. Does the Post Office Department pay rent for the use of public buildings under the Public Works Department, and are any fixed charges on the capital involved as a rent?

2. If not, what other departments besides the post office pay no rent for the use of federal property given them for federal services?

3. Will the government consider a new policy to have each department bear a share of the cost on a unit system for the use of federal public buildings for departmental work?

Mr. CARDIN:

1. (a) No; (b) no.

2. No department pays rent for use of federal property.

3. Matter will have consideration.

PAYMENTS UNDER MARKETING ACT

Mr. BOTHWELL:

1. How much has been paid to the Alberta Live Stock Marketing Board, or to anyone on its behalf, under the provisions of the Natural Products Marketing Act, 1934, and amendments thereto?

2. To whom and for what services were such payments made?

Mr. GARDINER:

1. $9,000.

2.

| | |
|---|---|
| Office Expenses— | |
| Calgary Water Power Co. Ltd.—light | $ 11 08 |
| W. R. Hall, Ltd.—office rent | 287 50 |
| Garbutt Business College—typewriter rent | 25 70 |
| Office Specialty Company—rent of furniture | 118 75 |
| Stenographers' wages | 814 75 |
| Postmaster, Calgary—post office lists | 17 50 |
| Toole, Peet & Co., Ltd.—bonding secretary | 5 00 |
| Hotel Palliser—rent of board room | 19 20 |
| Bank interest | 50 |
| A. C. MacKay—publications | 1 00 |
| Postage | 86 25 |
| Sundries | 22 05 |
| Stationery and Printing— | |
| The Willson Stationery Co., Ltd. | 127 26 |
| Albertan Publishing Co. | 7 98 |
| Office Specialty Manufacturing Co. | 2 32 |
| McLeod Letter Service | 7 30 |
| Examiner Press | 12 72 |
| Public stenographer—mimeographing | 3 00 |
| Organization Expenses— | |
| McLeod Letter Service—printing proposed schemes | 31 10 |
| Hotel Pallister—rent board room. | 12 70 |
| Al Azhar Temple—rent | 32 50 |
| John Kovsher—registering names. | 1 50 |
| Peter Kovsher—registering names. | 1 50 |
| George Grafton—registering names | 1 50 |
| E. H. Morgan—registering names. | 2 50 |
| Fred Johnston—registering names. | 2 50 |
| E. S. Brunsden—secretary office expenses | 44 56 |
| A. Speakman—expenses Calgary | 11 00 |
| Telephone and Telegraphs— | |
| Alberta Government Telephones. | 243 37 |
| C.P.R. Telegraphs | 107 60 |
| C.N.R. Telegraphs | 57 14 |
| Expenses of Delegates to Ottawa— | |
| A. Speakman—part share | 79 86 |
| W. C. McKenzie—two trips, December, 1934 and March, 1935 | 600 77 |
| R. P. Gilchrist—two trips, December, 1934 and March, 1935 | 633 83 |
| E. W. Brunsden | 296 40 |
| G. H. Rose | 234 35 |
| A. Speakman—30,000 copies of speech on Natural Products Marketing Act, at cost from King's Printer, plus exchange on cheque | 100 15 |

[Mr. Bothwell.]

| | |
|---|---|
| Expenses of Provisional Local Board Attending Interprovincial and other Meetings— | |
| W. C. McKenzie | 471 47 |
| R. P. Gilchrist | 594 95 |
| T. R. Murray | 371 40 |
| L. McKinnon | 108 05 |
| E. W. Brunsden | 231 01 |
| Stephen Lunn | 262 72 |
| H. R. Boutillier | 323 99 |
| Alex Craig | 320 60 |
| E. Fulton Thomson | 170 10 |
| George C. Millar | 172 85 |
| George G. Ross | 303 40 |
| Charles H. McKinnon | 164 70 |
| Howard P. Wright | 180 15 |
| H. L. Taggart | 251 60 |
| Fred McDonald | 253 20 |
| C. R. Abbott | 437 40 |
| George R. Ball | 237 32 |
| J. M. Williams | 116 55 |
| Alberta provincial government—Department of Agriculture advanced for R.R. fares | 382 70 |
| Legal— | |
| G. H. Barr | 1,000 00 |

Note.—Above payments include $1,418.85 spent by the Provisional Alberta Live Stock Marketing Board in addition to the amount of the grants received from the Dominion Marketing Board.

WEIGHTS AND MEASURES ACT

Mr. JACOBS:

1. What was the number of prosecutions under the Weights and Measures Act (a) during the first three months of the calendar year 1935 and (b) during the first three months of the calendar year 1936?

2. What was the number of convictions (a) during the first three months of the calendar year 1935 and (b) during the three months of the calendar year 1936?

Mr. EULER:

1. (a) 44; (b) 143.

2. (a) 39*; (b) 111**.

*Four other cases were withdrawn or dismissed and one carried over.

**An additional fifteen cases for which information was laid in March, 1936 resulted in convictions in April. Sixteen cases are still pending and one case was dismissed.

ALLEGED COAL COMBINE

Mr. CHURCH:

1. What action has been taken regarding prosecution or giving effect to the 1936 findings of a royal commission into the alleged combine in the importation and distribution of coal in Canada?

2. What steps are being taken to protect the consumer from extortion and from these high prices in view of this report, during the next winter?

Mr. ROGERS:

1. Several coal companies were prosecuted and fined following investigation made under the Combines Investigation Act in 1933. No findings have been made by a royal commission in 1936 (but an inquiry into the anthracite coal trade will shortly be instituted).

2. See answer to No. 1.

DECISIONS ON SUPPREME COURT REFERENCES

Mr. CHURCH:

Has the government any information to give the house as to when decisions may be expected on the references to the Supreme Court of Canada on whether several acts of the session of 1935 referred to the court are intra vires?

Mr. LAPOINTE (Quebec East): The government is not in possession of any information as to when decisions may be expected.

## QUESTIONS PASSED AS ORDERS FOR RETURNS

VALCARTIER CAMP—PURCHASES OF CANNED GOODS

Mr. WERMENLINGER:

1. Since the change of government, has the Department of National Defence or the Department of Labour purchased canned goods for Valcartier camp?
2. If so, what quantities of each kind?
3. What were the prices?
4. Were tenders called?
5. If so, what are the names of the tenderers?
6. To whom were the contracts awarded and at what prices?

SOLDIER SETTLEMENT LOANS

Mr. FAIR:

1. What is the total amount of loans granted under the soldier settlement board?
2. What is the total amount of interest accrued on these loans?
3. What amount of principal has been repaid?
4. What amount of interest has been paid?
5. What amount of (a) principal, and (b) interest, are now in arrears?
6. What is the estimate of bad or doubtful accounts to date?
7. What is the cost of administration of the soldier settlement board to date?

Mr. CRERAR: Return tabled herewith.

## MOTIONS FOR PAPERS

A. POIRIER

Mr. BRASSET (for Mr. Gauthier):

For a copy of all correspondence, letters, telegrams and other documents in the possession of the Department of Public Works, relating to Mr. A. Poirier, carpenter, 5892 Hutchison street, Montreal, dated from October 1, 1935, to April 28, 1936.

D. BROWN

Mr. BRASSET (for Mr. Gauthier):

For a copy of all correspondence, letters, telegrams and other documents in the possession of the Department of Public Works, dated from October 1, 1935, to April 28, 1936, relating to Mr. D. Brown, stationary engineer, and the extension of time that was granted to him.

MAHONE BAY DREDGING

Mr. BROOKS:

For a copy of all correspondence and documents in connection with the cancellation of the contract of the Southern Salvage Company of Liverpool, with the Department of Public Works, for the dredging at Mahone Bay during the year 1935.

GOVERNMENT DREDGES—MECHANICAL ENGINEERS

Mr. STEVENS:

For a list showing the names and places of residence of mechanical engineers on government dredges or barges operated by the Public Works department or Marine department, who have received half-pay during the winter months, of the past winter of 1935-36; such list to show the amount paid in each instance.

## BUSINESS OF THE HOUSE

STATEMENT OF PRIME MINISTER WITH RESPECT TO PROPOSED FURTHER LEGISLATION

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, the right hon. leader of the opposition (Mr. Bennett) has asked on one or two occasions if I would inform him and the house what legislation remains to be introduced.

Mr. BENNETT: He was about to do so again.

Mr. MACKENZIE KING: I thought so, it may be just as well to anticipate.

In addition to the bills and resolutions which appear under government orders and the budget resolutions which are to be found in the votes and proceedings of Friday last, there will be legislation based on the reports and recommendations of the several special committees—the committee on the Elections and Franchise Acts, the committee on pensions and returned soldier problems, the committee on the Canadian radio commission, the committee on the marketing of wheat and other grains, and possibly also of the committee on railways and shipping. How extensive this legislation may be it is of course, not possible to say until the committees themselves have reported.

The proposed additional legislation will include (a) bills respecting a national finance council, loan councils, based upon the amendment to the British North America Act, notice of which appears on the order paper in the name of the Minister of Justice; (b) amendments to the criminal code, including reference to section 98; (c) a bill respecting the national parks; (d) an amendment to the Customs Act; there may also be amendments to the Combines Act, the Post Office Act, the Relief Act, the Proprietary or Patent Medicines Act, the Dry Docks Subsidies Act, the Carriage of Goods By Water Act, and a bill respecting marketing. These will be for the most part minor amendments. Then possibly there may be supplementary estimates of limited amounts.

I wish to add this further reservation. I am giving to the house at the moment all that the government see as a possibility, but I should like to have the right reserved to introduce one or two other measures should this be found necessary between now and the time that parliament prorogues.

## HUDSON BAY ROUTE

### MODIFICATION OF RATES AND CONDITIONS GOVERNING INSURANCE ON SHIPS

On the orders of the day:

Hon. C. D. HOWE (Minister of Railways and Canals): Mr. Speaker, I wish to make a statement on the matter of insurance rates in and out of Churchill on Hudson bay. Representations have been made from time to time for a reduction in the rates of insurance on vessels plying to and from that port. We have now received advice that changes in the regulations have been made which have the effect of lengthening by eight days the period of navigation during which the minimum rate applies, and of bringing about a reduction of about twenty-five per cent in prevailing rates of insurance on ships. Perhaps I had better read the dispatch:

A cabled dispatch from the High Commissioner for Canada in Great Britain, dated at London, May 1, 1936, advises that, as a result of discussions between the Imperial Shipping Committee and the Joint Hull Committee, the rates and conditions governing insurance of hull and machinery of ships on the Hudson bay route will be modified for the coming season as follows:

(a) Opening date of season to be altered from August 10, to August 5, subject to provision that no vessel to pass cape Chidley between August 5, and August 10, until advised by patrol ship N. B. McLean that it is safe to do so.

(b) Closing date without surcharge extended from October 7, to October 10, but surcharge maintained between October 11, and October 15.

[Mr. Mackenzie King.]

(c) Rates of additional premiums for suspending warranty to be same as in 1935, except that percentage on insured total loss value of £1.2.6 for vessels equipped with gyro compasses is reduced to 17s. 6d.

To show the effect of that I have had my departmental officers work out the insurance on a ship of five thousand tons gross, valued at £50,000, insured against all risks, and equipped with a gyro compass. That boat would have paid insurance as follows: in 1932-33, £1,500; in 1934, £1,250; in 1935, £937. For the season of 1936 the rate will be £625. If not equipped with a gyro compass the same ship would have paid: in 1932-33, £1,750; in 1934, £1,500; in 1935, £1,125. For the season of 1936 the rate will be £843.15.

## COPYRIGHT AGREEMENT

On the orders of the day:

Hon. C. H. CAHAN (St. Lawrence-St. George): I would ask the Prime Minister (Mr. Mackenzie King) if he will be so kind as to lay on the table of the house a copy of an agreement with respect to copyright which, to the best of my memory, was made between Canada and the United States in or about December, 1923. I think it may become important in the discussion of the copyright bill. I have looked carefully and I cannot find that it is published in the statutes or elsewhere, but I am quite clear in my mind that such an agreement was made.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, my hon. friend has a good memory and I assure him that if he is right as to the date I will do my utmost to get the agreement and have it tabled.

## BUSINESS OF THE HOUSE

### INTERIM SUPPLY

Hon. CHARLES A. DUNNING (Minister of Finance): Mr. Speaker, I would ask the permission of the house to proceed with a bill for interim supply with respect to the supplementary estimates which are now before the house. The bill provides for one-sixth of all the items in the special supplementary estimates, and an additional proportion, not exceeding one-half, of certain items. All of these calling for an additional amount are to cover payments falling due before the first of June on contracts which were made prior to April 1 or for payment of wages if the work was undertaken by day labour. There are a few exceptions to that statement to which I must refer.

Relief for single, homeless men. The amount in the estimates covers the operation for three months only. Topographical and air surveys: A larger proportion is required in this case to equip and send out field parties as soon as possible. Of course provision is needed with respect to the general vote for grants in aid to the provinces to keep up with the monthly necessities in that regard. Another exception is with regard to the continuance of unemployment relief projects now organized which were covered by the special supplementaries for three months and which require to be spent regularly every month, and also to continue geological surveys.

If the house will be good enough to give unanimous consent, I should like to proceed. If that is impossible, this can stand as a notice of motion for to-morrow, but it would be more convenient to proceed with it to-day.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, the Minister of Finance (Mr. Dunning) spoke to me with reference to this matter before the house met and I intimated to him that so far as we were concerned there was no reason why he should not proceed at once. On the other hand, I should like to point out that by giving our consent to these appropriations we reserve our rights as though we had not given it, so far as the items are concerned.

Mr. DUNNING: Quite.

Mr. BENNETT: It also raises a question of some seriousness, to which I directed attention the other day. We are giving our approval to the passing for the second time by this parliament of estimates dealing with items contained in the supplementary estimates as well as in the Public Works Construction Act, 1934, and the supplementary act of 1935. In this regard I would direct the attention of the minister to the fact that the statute requires that the Minister of Finance should file within thirty days of the opening of the house a report showing what expenditures have been made under the appropriations of 1934-35. I do not know for certain, but my memory is that such a report has not yet been filed. In the multiplicity of duties that fall upon the minister, I can quite understand why that has not been done. Subject to our right to discuss the items as though this consent were not given and without prejudice to our position with respect to the other point I mentioned the other evening and speaking only for those with whom I am associated, I see no reason why the minister should not proceed at once with his interim supply bill.



Mr. DUNNING: I wish to thank my right hon. friend and to say by way of explanation that from the accounting point of view the expenditures which are now made and have been made under the authority of the Public Works Construction Act are being transferred to these appropriations as fast as possible. Naturally when that is completed and the authority for these estimates has been given by the house, it will be possible to repeal entirely the Public Works Construction Act. This is just a transition procedure but it does produce the situation to which my right hon. friend referred. In dealing with these estimates we are dealing with amounts which have been authorized by parliament in a different way and in a different form but which are now to be authorized by direct appropriations, following which measures will have to be taken to repeal the former authority. I can assure the house that there certainly will not be double expenditures by virtue of proceeding in this manner.

## INTERIM SUPPLY BILL

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to resolve itself into committee of supply.

Motion agreed to and the house went into committee, Mr. Sanderson in the chair.

1. Resolved, that a sum not exceeding $21,860,190.57, being one-sixth of the amount of each of the several items to be voted, as set forth in the special estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937.

Resolution agreed to.

2. Resolved, that a sum not exceeding $2,418,809.33, being one-twelfth of the amount of each of the several following items to be voted, as set forth in the special supplementary estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937, namely:—

Vote No. 326, Interior.
Vote No. 337, Labour.
Vote No. 342, Mines.
Vote No. 344 (1st and 13th items), National Defence.
Vote No. 379 (5th item), Public Works.
Vote No. 380 (9th item), Public Works.
Vote No. 382, Public Works.
Vote No. 383 (3rd item), Public Works.

Mr. BENNETT: The effect of making an appropriation against the fiscal year ending March, 1937, is to repeat a picture that might

not be in accordance with what was intended by parliament when the Public Works Construction Act was passed. When we were considering the supplementary estimates we were told that they were the same amounts as had been contained in the Public Works Construction Act, that some of them had been expended and that the balance would be available for finishing the work, although not necessarily this year. Many of the works could not be finished this year. The result of this procedure is that the fiscal year 1937 will be charged for the whole sum, notwithstanding the fact that $30,000,000 was authorized previously, not by a blank cheque but by item after item passed through this committee. Every separate item was the subject matter of a separate discussion. I think it is a very dangerous precedent for an incoming government to repeal an act under which appropriations were made in detail and under which expenditures were made. However, that matter can be discussed later.

Mr. DUNNING: I shall not enter into a debate with my right hon. friend as to provisions for future years. I may tell him that the plan of the special supplementary estimates, to which my colleagues were requested to adhere, was to make provision for such portions as would be spent during this fiscal year.

Mr. BENNETT: In many instances the whole sum has been appropriated.

Mr. DUNNING: In cases where it is expected to finish the work this year, so I am advised. I may tell my right hon. friend that I shall be very pleased if the aggregate stated to be required is not required. From the point of view of a minister of finance that will be an advantage rather than otherwise.

Resolution agreed to.

3. Resolved, that a sum not exceeding $315,683.33, being one-sixth of the amount of each of the several following items to be voted, as set forth in the special supplementary estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending the 31st March, 1937, namely:—

Vote No. 379 (6th item), Public Works.
Vote No. 380 (10th, 15th and 17th items), Public Works.
Vote No. 418, Railways and Canals.

Resolution agreed to.

4. Resolved, that a sum not exceeding $28,868.33, being one-third of the amount of each of the several following items to be voted, as set forth in the special supplementary estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937, namely:—

Vote No. 344 (7th item), National Defence.
Vote No. 345 (2nd item), National Defence.

Resolution agreed to.

5. Resolved, that a sum not exceeding $4,801,637.44, being one-half of the amount of each of the several following items to be voted, as set forth in the special supplementary estimates for the fiscal year ending 31st March, 1937, laid before the House of Commons at the present session of parliament, be granted to His Majesty, on account, for the fiscal year ending 31st March, 1937, namely:—

Vote No. 316, Indian Affairs.
Vote No. 320 (10th item), Interior.
Vote No. 344 (6th, 8th, 9th, 10th, 11th and 12th items), National Defence.
Vote Nos. 346, 348, 354 and 356, National Defence.
Vote No. 371 (7th item), National Harbours Board.
Vote No. 377 (1st and 3rd items), Public Works.
Vote No. 378 (3rd item), Public Works.
Vote No. 379 (1st, 8th and 9th items), Public Works.
Vote No. 380 (2nd, 4th, 5th, 6th, 7th, 11th, 13th, 18th, 19th, 20th, 21st, 22nd, and 23rd items), Public Works.
Vote No. 381, Public Works.
Vote No. 383 (1st, 2nd and 4th items), Public Works.
Vote No. 384 (items: 1 to 4, 6 to 9, 11, 15 to 20, 22, 23, 25, 26, 28, 29, 33 to 38, inclusive), Public Works.
Vote No. 385 (1st, 2nd, 3rd, 6th and 7th items), Public Works.
Vote No. 386 (3rd and 4th items), Public Works.
Vote No. 387 (items: 1, 3, 4, 9, 12, 13, 26, 28, 31), Public Works.
Vote No. 388 (items: 2, 4, 5, 6, 7, 10, 11 and 14), Public Works.
Vote No. 389 (the first three items), Public Works.
Vote No. 390 (2nd item), Public Works.
Vote No. 391 (1st item), Public Works.
Vote No. 393 (items: 1, 2, 3, 5, 6, 7, 8, 12, 13, 14, 18, 19), Public Works.
Vote No. 428, Loans and Investments.

Resolution agreed to.

Resolutions reported, read the second time and concurred in.

## WAYS AND MEANS

### INTERIM SUPPLY

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

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

Resolved, that towards making good the supply granted to His Majesty on account of certain expenses of the public service for the fiscal year ending March 31, 1937, the sum of $29,425,189 be granted out of the consolidated revenue fund of Canada.

Motion agreed to.

Resolution reported, read the second time and concurred in. Mr. Dunning thereupon moved for leave to introduce Bill No. 58, for granting to His Majesty certain sums of money for the public service for the financial year ending March 31, 1937.

Motion agreed to, bill read the first and second times, considered in committee, reported, read the third time and passed.

## SUPPLY

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

### DEPARTMENT OF LABOUR

Other projects—amount required for new works to be undertaken in cooperation with the provinces, $9,200,000.

Mr. MacNICOL: Would the minister give a list of the projects by provinces?

Hon. NORMAN McL. ROGERS (Minister of Labour): I believe I pointed out previously that it was quite impossible to give a list of the projects to be undertaken under this vote. The reason lies in the fact that these projects are to be undertaken cooperatively with the provinces, and it is therefore necessary that we should negotiate with the provinces an agreement covering the work to be undertaken. Particular works to be covered by this vote will appear as a schedule to the agreement.

Mr. MacNICOL: Are these amounts to cover expenditures made by the previous government?

Mr. ROGERS: No, these are new works to be undertaken in conjunction with the provinces.

Sir GEORGE PERLEY: How did the minister arrive at the amount?

Mr. ROGERS: It was difficult to arrive at an amount which would suffice for this purpose. Obviously it was impossible to provide public works in cooperation with the provinces sufficient to meet their respective employment requirements. We looked back over what had been done in recent years and tried to strike, on the basis of what we felt was fair and reasonable in the circumstances, an estimate of what would be an adequate amount for such works during the forthcoming year.

Sir GEORGE PERLEY: Does the minister mean that he took the figures of the last few years and averaged them and decided on the amount on that basis?

Mr. ROGERS: This question was raised when the matter was before the house some days ago, and I suggested that this did appear to be at least one method of approaching a sum which might meet the situation during the forthcoming year. Obviously it would be very difficult to get an exact estimate of what would be required or of what would be a reasonable amount to meet all the requirements of the coming fiscal year.

Sir GEORGE PERLEY: In other words, Mr. Chairman, I judge from what the minister says that he is putting in this blanket sum without having any particular idea of how much he will require. We come again to the same thing we discussed last sitting in connection with another item, that this is a sum which is more than he expects to require, but he has put in sufficient to cover all possibilities; in other words, he has put in as large an amount for this purpose as the previous government spent for these same objects under the so-called blank cheque. It amounts to this, that this is another way of avoiding what has been styled a blank cheque, at the same time keeping it entirely within the hands of the government as to how much they will spend for these purposes.

Mr. ROGERS: I think there is this material difference between the two methods. Under the blank cheque legislation it might have been quite true that a sum of approximately ten million dollars was assigned during each succeeding year or upon an average during the last five years, but, as my right hon. friend understands, that was only a fraction of the total amount expended under the relief acts. Here we are restricting ourselves to a definite amount for public works to be undertaken in conjunction with the provinces, and elsewhere throughout these supplementary estimates we are setting definite amounts against specified items. My right hon. friend may object that the items are not sufficiently precise, but as I suggested some days ago, it is surely a misuse of language to say that this is a blank cheque in the sense in which that expression has been used during the last few years.

Sir GEORGE PERLEY: I think in fact this may have very much worse results than the blank cheque. The previous government under the authority given them spent somethink like this amount on an average—

Mr. ROGERS: Just on these works.

Sir GEORGE PERLEY: On these works. My opinion is that the minister is in a worse position with a fixed amount for these purposes than he would be under the legislation passed by the previous government. The reason I say that is that my experience taught me that when an amount is put in the

estimates for a particular thing, pressure is more effectively brought on the government to spend every dollar of that amount than it is under the so-called blank cheque legislation. If the minister will consult some of his colleagues I think he will find that when an estimate of $50,000 is put in for one department, the pressure is very great on the minister in charge of that department to spend the whole $50,000. Possibly when the estimate is made they think perhaps $30,000 or $35,000 may be sufficient, but they find it very difficult to keep the expenditure below the amount fixed in the estimate. The minister will find it almost impossible to resist the pressure to spend every dollar of this money. So long as there is any part of the estimate left how can he refuse an application from the provinces, and particularly from his friends in the different parts of Canada, to go on and spend money until it is all gone? In 1930 the previous government obtained from parliament a specific vote, I think it was $20,000,000, and I assure you that we found it easier under the legislation of the subsequent years, which has been called the blank cheque legislation, to resist applications for money for various purposes under the relief act than we did in 1930 when we had a specific sum appropriated for that purpose.

I do not propose to discuss the matter any further. I have already explained my view to the minister, and I know it was discussed the other evening when I was not present. I do not want to traverse the same ground over and over, but I do feel that the present government are not putting themselves in any better position to resist unreasonable demands by this form of estimate than we were in under our legislation for the last four years.

Mr. MacINNIS: Will a statement of the items be brought down before parliament prorogues?

Mr. ROGERS: To the extent that agreements with the provinces are completed before parliament prorogues, we shall, I think, be in a position to place the agreements before the house. In the relief bill as originally drafted there was a specific provision for the approval of the agreements by resolution of the House of Commons, but exception was taken to the inclusion of that clause in the relief bill and it was deleted.

Mr. MacINNIS: If no agreements are reached with the provinces then we shall not know any more about these items than we know now. That is one objection we have; we do not know that anything is to be done; we do not know whether this amount will be spent. In regard to the blank cheque feature, for which the previous government were so much criticized, I always felt that the reason the blank cheque was asked for at the time was not to give the government unlimited scope but in order that they might restrict their expenditure. If we do not have the general items specified, is there any reason why this government should spend even the amount of the estimate? They may say that they did not come to agreements, and then nothing will be done. Again, we find the minister stating that the figures they have in the estimate now are arrived at from what the previous government did. Their criticism of the previous government was that it was not doing enough, was not dealing with the unemployment problem in a proper way. I have before me a newspaper report of one of the radio talks by the present Prime Minister during the general election, and one statement is, that "Bennett started too late to solve problem." If the present government are going to follow along the same line as the past government, what difference is the change of government going to make to the country?

I should like the minister to feel that we are not criticizing him just for the sake of criticism or in order to hear ourselves talk. He was rather annoyed on Thursday evening when there was some criticism from this corner of the house, but I should like him to feel that in no part of the house is he thought of more kindly than he is in this section. Not only in the house itself but in our group outside the house that is true. I have before me one of the papers that supports our movement, and in the notes from Saskatchewan I find this paragraph:

> The Rosetown-Biggar M.P. had a few nice words to say of the Minister of Labour, Hon. Norman Rogers. The minister, said Mr. Coldwell, was a man of vision and great ability, but was finding it very difficult to accomplish anything under the present order.

I also believe the minister has great ability, and it is because I want to continue in that belief that I suggest he try to get something done. On Thursday evening, looking at this section, he made this statement, as reported at page 2355 of Hansard:

> I have no objection whatever to marching forward but I want to know where I am going. I want to know whether my next step is to be on firm ground or in quicksand, and I am not so sure that some hon. members are so anxious as to the direction in which they are going.

It is because we are anxious as to the direction in which we are going that we are criticizing. We are drifting; the minister cannot say where the next step is going to

be. No government can say where we are going so long as they leave the economic life of the country in the control of private individuals who exploit it for their own gain. It is to that we object. There is no reason why the government could not have a more specific program to place before parliament than that now before us. There has been plenty of time to produce it, although I have no doubt there are many things to do. Until we have some indication that something specific and ordered is going to be done we shall have occasion to complain, and I am afraid that under such circumstances the unemployed are not going to fare any better than they have fared in the past six years.

Mr. HEAPS: I think the minister might give a little more information than we have had up to now. This item and others connected with it represent a program of works which the government offer for the alleviation of unemployment. Speaking in this chamber on Thursday evening last the Minister of Labour said the government were undertaking an expenditure of about $80,000,000 on a program for the relief of the unemployed. Is that statement correct?

Mr. ROGERS: I believe that covered all expenditures in the various departments of government mentioned in the special supplementary estimates.

Mr. HEAPS: That is correct. I should like to have some break-down of these items, to know exactly what is being spent, not so much on public relief as on works to be undertaken to provide employment. In the expenditure of $80,000,000 works must be included which were started last year and are being completed this year. In it will be an amount the federal government will be giving to the provinces for relief purposes. At page 18 of the special supplementary estimates is found a summary, in which it is indicated that $30,418,341.66 is credited to projects already undertaken, and $28,430,401.76 to other projects. It is difficult for me, and I suppose for other hon. members, to ascertain how much of the first item remains to be spent in the present year. We may get an idea from the second item as to how much will be spent. I do feel that the minister is or ought to be in a position to inform the committee as to the amount of new works to be undertaken for the remainder of this year, and also the number of men the government expects will be able to find work as a result of expenditures undertaken in the supplementary estimates. I do not know whether the minister is in a position to give the committee that information, but if he is I certainly should like to have it.

Mr. ROGERS: I regret that I am not in a position to give greater detail respecting expenditures than is set forth in the special supplementary estimates. The sum of $80,000,000, in round figures, to which I referred some days ago, was the sum which the hon. member has just described as being made up of sums set aside for projects already undertaken but incompleted, and for other projects. Naturally I am under obligation in the supplementary estimates to deal with such items as come under the Department of Labour, but other ministers will deal with the estimates affecting their respective departments. That has been the procedure followed thus far, and it would be presumptuous on my part, for example, to deal with particular expenditures of the Department of Public Works, the Department of Marine or the Department of National Defence, except in so far as there may be some established connection between any of those departments and the Department of Labour. Relief camps would furnish an example of the kind I have indicated.

The item before the committee is that which deals with the amount to be voted for works to be carried on in cooperation with the provinces. With no desire to withhold any information I must say we are not in a position to place details of these expenditures before the committee, owing to the fact that as yet we have not been authorized to negotiate agreements with the provinces for the construction of these joint works.

On former occasions we have emphasized that we were going to see that the dominion contribution to relief works so far as possible should be directed towards developmental activities. In other words we should have constantly in view some collateral employment or ultimate employment which might result through, let us say, the development of a mining area to which more satisfactory access has been afforded.

I regret to say I am not in a position to tell my hon. friend the amount of employment to be provided by these expenditures. I wish I had that information. I am bound to tell him and the committee that on the whole the results of employment under these relief works expenditures have been disappointing, in so far as their effect on relief rolls is concerned. I think we ought to understand that clearly, in order that we may not expect too great results from expenditures on relief works. I have no doubt the hon. member will have had information indicating the effect upon unemployment of large expenditures upon relief works in his own city of Winnipeg. I believe he will agree with me that the results of large expenditures on such works have been dis-

appointing, from the point of view of affording employment. All I can say is that we are giving very careful consideration to the feasibility of introducing into our agreements with the provinces clauses which will ensure that these relief works will have their due effect upon relief rolls. After all, we are approving the expenditures for that purpose, and I believe we are under obligation to see to it that in so far as the situation can be met in advance by means of explicit undertakings, we must arrange that these relief works shall provide at least a substantial quota of employment for those now in receipt of relief.

Mr. HEAPS: I am pleased to have received an answer from the minister. I expected something along the same lines. My reason for putting the question in a certain way was to ascertain what works were to be undertaken. When I put my question I had in mind the fact that during the past two years, when equivalent amounts were spent by previous governments to take care of unemployment in Canada, such expenditures provided for only a small fraction of the men who were out of work. I have in mind the Winnipeg situation. In that city two public buildings were erected. In addition a sewage scheme was undertaken, through cooperation of federal, provincial and municipal bodies. The expenditure of about $1,500,000 in the federal project did not touch the fringe of the problem. It is true that we have a couple of new buildings. They are ornate and possibly a first-class addition to the city of Winnipeg, but despite this great expenditure of money we have reverted to the situation which existed prior to the erection of the buildings. If this government is going to spend an average of the amounts spent by the previous government in the last five years, as the minister himself admitted, we will not bring about anything in the way of improvement in the unemployment situation. That is why many of us have suggested that the government adopt a broader and more fundamental policy in dealing with this problem. When this government took office it believed that what the previous government had done was totally inadequate, and hon. members in this part of the chamber were in complete agreement with that view.

Mr. ROGERS: Will the hon. member permit a question? A few nights ago did he not acknowledge that the provisions of public works was in itself no solution for the problem of unemployment? Certainly I understood him to say that he did not favour large expenditures on public works.

Mr. HEAPS: No; I said that public works are not a solution for the unemployment problem, and by that statement I stand. They are not a solution. They are a palliative, and sometimes not even that. In many instances they tend to aggravate the situation because many public works which are undertaken become a burden to those who have control over them. I have in mind, for instance, the erection of barracks which are not needed. Some years ago in Winnipeg as a relief project a huge barracks was erected on the outskirts of the city at a cost of hundreds of thousands of dollars. I do not think a hundred people use it to-day. It is a huge building on the outskirts of the city, and although it cost a great deal it is of very little practical value, and is used by very few people. There are many such projects. I know public buildings that have been erected that are not in use to-day, such as a certain post office I have in mind. The Post Office Department did not know anything about it; that is the information I have received. These buildings were put up and there they are to-day, almost unoccupied except for the caretaker. Projects of that kind cannot possibly help to solve the unemployment problem, and that is what I mean when I say that public works in themselves are no solution of the unemployment problem. They may give temporary help to men who have been out of work, and there is one thing we should bear in mind when dealing with people who have been out of work for months and months, some of them year in and year out: that there is nothing more demoralizing to the individual than that he should become continuously in receipt of relief. That is why it is desirable to have work made available as soon as possible, particularly for those who have been recipients of public relief for a number of years. Nine million dollars is totally inadequate for that purpose, because it can take care of only a very small fraction of the number of people who have been out of work in our large industrial areas in the past few years. The two projects in Winnipeg that I have named, the barracks and the post office building, did not take care of five or at the most ten per cent of the building trades mechanics who were out of work in the city, men who had been out of work for years and with very little hope of obtaining employment.

I would much rather see this amount of money spent on a class of work which will not only give useful employment but provide the community with something which is much needed and has been needed in this country for a number of years. I refer to a large scale federal housing scheme. I would

rather see this amount and all these estimates used on a project of that kind than for the erection of barracks and other buildings which have very little community value. The expenditure of twenty or thirty million dollars on a housing scheme in this dominion would give far more work than would be provided by certain types of public buildings that are to be erected under these estimates. Not only would it provide something that is immediately needed, but it would be a self-liquidating project, whereas the buildings to be erected under this vote are not. The people of this country need homes. It is one of the few things in the construction line that is needed, and that is why I am disappointed in the attitude of the government. I would much rather see them spend far more than the amount of all these estimates upon a comprehensive housing scheme for the dominion somewhat along the lines that have been followed in England and many other countries. That would set the wheels of industry turning again much faster than will the projects to be undertaken under these estimates. In Great Britain they have been building houses for the last fifteen years, and still they are not through building. In this country, from reports I have received, there is an acute shortage of houses in many of the larger industrial centres, and that acute shortage is having two effects. It is making the poor people double up in homes; it is resulting in an increase of rents. When people are unable to pay these rents it leads to overcrowding and to the many other problems that go with overcrowding. Public buildings do not provide even a partial solution of the unemployment problem, and that is why I urge the government so strongly to try new remedies which would be of more value under present economic conditions.

Mr. CAMERON (Cape Breton): While I appreciate the impossibility of the minister specifying the exact projects to be undertaken, I would ask on what basis will agreements be made with the provinces. Will the cost be on a fifty-fifty basis?

Mr. ROGERS: The practice has varied somewhat in past years as to the distribution of the financial responsibility. For works undertaken jointly by the dominion and the province the division of cost has usually been on a fifty-fifty basis, but in some cases the dominion has contributed forty per cent and the province sixty per cent. Where projects have been undertaken to which the municipality within the province has contributed, the dominion contribution has been proportionately less. All I can say at the moment is that in working out these agreements with the provinces, where the proposed expenditures relate to highways, we shall be governed by what has been the well established practice under which the dominion contribution to a provincial highway shall not be in excess of fifty per cent of the total cost.

Mr. CAMERON (Cape Breton): My real object in asking the question was that I had information that similar projects carried out in different provinces received a different percentage of contribution from the federal government, one province receiving a greater percentage than another. Speaking for the province from which I come, I want to guard against any unfairness in that regard.

Mr. ROGERS: In dealing with the provinces we shall seek to avoid any reasonable ground for complaint in that regard.

Mr. CAMERON (Cape Breton): Roughly speaking, the result will be, assuming that the expenditure is on a fifty-fifty basis or thereabouts, that this item will represent an expenditure of $18,000,000, provided the whole amount is spent.

Mr. ROGERS: Exactly.

Mr. TAYLOR (Nanaimo): In the development of these expenditure schemes does the minister anticipate that in each case the initiative will be undertaken by the province?

Mr. ROGERS: Yes.

Mr. TAYLOR (Nanaimo): Then following up what the hon. member for Winnipeg North (Mr. Heaps) has said, I suggest that something be done to guarantee the interest on housing schemes undertaken by municipalities and co-operatively. If the capital is found for the purpose and the government is prepared to guarantee the interest, it seems to me that the revolving nature of the loan would enable these cooperatives to borrow at a very much lower rate than they can now when they have to pay both interest and capital. I think interest is the most distressing part of any business undertaking and sooner or later we will have to get away from it entirely and follow the teachings of Ruskin.

Mr. MacNICOL: Mr. Chairman, I saw a May day parade in Toronto last Friday and if the minister had been there I am sure he would have been impressed with the magnitude of the task in front of him in providing employment for the unemployed of Canada. I do not wish to minimize the task he has before him; it really is colossal. In fact, I saw three different parades in Toronto, and if they are an indication of what this country is up against, this $9,000,000 is going to be

a mere bagatelle in taking care of the people. As far as I can figure it out, this expenditure of $9,200,000, plus the expenditures by the provinces—I understand the provinces are to spend an equal amount?

Mr. ROGERS: Probably an equal amount; it is on a fifty-fifty basis.

Mr. MacNICOL: That will make a total of $18,400,000. That should give direct employment to approximately 9,000 persons and indirect employment to an approximately equal number. This makes a total of about 18,000 to whom employment may be given, provided that materials do not use up too much of the vote. I quite agree that this is a substantial contribution, but it is nothing like what should be done to reduce the ranks of the unemployed.

I was just wondering where the provinces are going to get the money. Ontario, Quebec and some of the other provinces may be able to obtain money on their bonds, but what about the provinces of which we have been hearing during this session? The hon. member for Vancouver-Burrard (Mr. McGeer) has said that the province of British Columbia may be bankrupt, but that does not fit in with the statement in the paper this morning that that province is going to pay the interest on its bonds as well as the bonds which are due very shortly. The province of Alberta would appear to be bankrupt, and Saskatchewan does not seem to be very far behind. If the dominion must put up $9,000,000, plus another $9,000,000 in loans to the provinces, it is going to make it rather difficult for this government to carry on.

I want to support the minister in every possible way. I come from an industrial city with, including suburbs, about 800,000 inhabitants in which very many men and women have been unemployed for years. I wish the minister would come out boldly and announce some great big measures to provide more work. It seems to me that we are more or less playing with this problem. Ottawa is so far from the cushion, to use ordinary language, that it cannot get an accurate impression of conditions outside. After I am here a week I go away with a smile similar to those seen around Ottawa, but when I get back home I lose that smile very rapidly. There I am right up against the cushion and I know what the conditions are. The minister would have the support of this country if he grappled with this question in the largest possible way. This is not a question of politics; it is not a question over which this house should quibble about spending a few million dollars. During the election it was said that this question would be grappled with in a big way, and I am sure the country will support any measure the minister thinks necessary to provide work for the people.

Men and women must be given work. They are willing to work but they cannot get it. I can remember when I was a lad there were two or three jobs for every boy who wanted one. To-day we have a great multitude of the finest young men and women in the world, young Canadians, who are anxious to work. They are healthy, and the majority of them are very well educated. It is necessary to have a matriculation certificate to get any kind of job to-day.

An hon. MEMBER: Even a pick and shovel job.

Mr. MacNICOL: Even a pick and shovel job, as someone suggests. I am sure these young people and their parents will support any measure which the minister or the government of which he is a member may suggest in order to provide employment. I appeal to the minister to go the whole way. Let us get on with something in this country. We have been fooling with this matter altogether too long. It will be said: Where is the money going to come from? I have said that sometimes, but if war broke out to-morrow and Canada had to take a part, this government would soon get all the money required.

Mr. ROGERS: And the next generation would pay for it.

Mr. MacNICOL: It will have to pay for it anyway.

Mr. ROGERS: Perhaps the hon. member was impressed with the amount stated the other day as being necessary for interest on outstanding debt. As I recall it, $136,000,000 was necessary to pay the interest on loans, most of which were incurred during the war years.

Mr. MacNICOL: I was not here when the budget speech was delivered, but I have since read it. In spite of what was said, my statement is not altered. If this country became involved in a war, which I hope it will not—I always contend that those who want war should be put in the front lines where they would be the first to suffer—the government would find the money. We are in a war, a colossal war against unemployment. Many people are suffering the pangs of war; they are suffering starvation and from depressed minds through inability to get work. This is particularly so of the young

folks. If war broke out to-morrow, the government would call them at once, so why not call them to work?

There is a great deal of necessary work to be done in this country. When the estimates of the minister in charge of lake levels and so forth were up the other day I stated that a tremendous amount of work was needed to be done in this country in that regard. Only yesterday I made a brief trip and I noticed that many of the rivers east of Toronto had overflowed their banks during the spring freshets. In the town of Port Hope alone over $100,000 worth of damage was done by the small river that flows through that municipality. Something ought to be done about it. The Ontario government does not seem to be big enough to grapple with it and it is up to this government in the last analysis to take steps to cope with this problem. The minister has a chance to live up to the reputation which the newspapers have given him and the nice things that have been said about him by members on all sides of the house. We all want to encourage him, for this is a time when any man who tries to do something should be encouraged. Anything I say is not by way of criticism because I want to help the minister if I can. I say this to him however: Grapple with the subject in a big way. It is not for me to tell him how to do it; he can devise ways and means himself, and the government is strong enough and I believe big enough to grapple with it. I say, get after this problem in a big way. The sum of $9,000,000 is a very small one if the government is going to deal with this tremendous problem.

Mr. ROGERS: That is one of the many items in the estimates.

Mr. MacNICOL: I know, but this is the item that has to do with new works in conjunction with the provinces. There is little leadership in the provinces; they are so overwhelmed with financial troubles that they are afraid to tackle anything big. I say therefore that this government should get in touch with the provinces and with those bodies throughout the country who are willing and anxious to suggest ways of providing real employment so that our idle men may be put to work. My hon. friend from Winnipeg referred to public buildings. That is one way, but personally I should like to see some works undertaken that would provide greater employment, and I should like to see more of the money voted paid out directly in wages. If we can save the country for another year or two I believe it would get on top again; but we must do everything we possibly can in the present trying period which we are passing through. I am not one of those who think that the depression is over. The parade in Toronto the other day —perhaps the same thing occurred in Montreal and Winnipeg—indicates clearly that there are still thousands out of work. The minister has behind him the best country in the world and the strongest government numerically this country ever had. He has only to ascertain what is to be done to be effective, and the house, irrespective of party, will support any measure whatever that has for its object the employment of Canadians.

Sir GEORGE PERLEY: What will be the function of the national employment commission in regard to this item?

Mr. ROGERS: This question was put in a somewhat different form when the bill creating that commission was before the house. If I remember rightly I said then that if the commission were in a position to assist us in indicating the direction in which money should be expended, we should be very glad indeed to have their advice, but that with regard to expenditures for this year we should have to make provision ourselves and profit by the experience not only of the late administration but also of those provincial governments that have had to deal with relief works during the depression period. I think it is quite obvious that with respect to these particular expenditures they will be devoted in the main to highways, as has been done in past years. That is to say, under this item the works will be carried out in conjunction with the provinces, and the national employment commission will not be particularly concerned.

Mr. LENNARD: I suggest that when the agreements are being entered into with the provinces consideration be given to spending a portion of the amount in the elimination of railway level crossings.

Mr. ROGERS: Under the Department of Railways there is a special vote in connection with level crossings.

Mr. NEEDHAM: I have listened for several days to a discussion of unemployment and have not said much, but there have been going through my mind certain ideas which I wish to place before the committee. It seems to me that the whole question is, how can we get our people back to work? Have we asked ourselves the question why there are so many unemployed in the coun-

try? What is the cause of this unemployment? If we could analyse the whole situation and find the cause we might decide on a remedy. It appears from the statement of the Minister of Finance that our hope of recovery lies in increased export markets. Is the loss of export markets the cause of unemployment? If so, why did we lose those markets? There is a reason. I think the committee will agree with me that the reason is that other countries began producing more of the goods which they needed and therefore there is not now the demand there used to be for imports from Canada. Not long ago I was reading a report from England which impressed me with the progress which the Minister of Agriculture there has made in the production of foodstuffs in England. There has been a vast increase. I was startled however to learn that during 1934, which showed very considerable progress as compared with 1933, there were 288,011 fewer people employed in agriculture in England than in the previous year. That report indicates that England at the present time can provide food for her own use for a considerable time—I forget how many days, but almost two hundred in the year. Compare that with production in 1913, when she could provide food for about thirty days only. That gives some idea of the progress that has been made there, and that with fewer people employed. I suggest that we should analyze the unemployment situation from that angle.

We have heard a good deal this session about the trade agreement with the United States and the great benefits that we shall derive from it. There may be more exports, but when there are more exports there must be more imports. We have found that already in the last returns. In the Easter recess I was out west where I talked to farmers who had fed cattle during the winter. They had stall-fed cattle and they told me that if instead of shipping them they had taken them out and shot them last fall they would be further ahead, for they did not receive the price of the feed. And since coming back I have heard the same story from several members. So that if a larger export market is to be the solution, things do not look very hopeful from that point of view.

I believe that the chief cause of unemployment in Canada is the advent of machinery, which has taken the place of workers. It is being done day by day in increasing measures all over the world, and if prosperity returns you will find machines coming in faster than ever they did in the past, with more employment as the result. The best brains in the world to-day are trying to create unemployment by the improving of existing machines and the creating of new ones, and here we are, trying to solve the problem. It follows that there would be no unemployment if there were no machines. You must recognize that if the machine is here to stay we have to grapple with its products, and the first product of the machine is unemployment.

Mr. ROGERS: Has my hon. friend ever looked into the history of the poor law in Great Britain before the industrial revolution?

Mr. REID: And the days of Caesar, when they had no machinery?

Mr. NEEDHAM: I am thinking of our own times. The hon. member who sat down a few moments ago referred to the time of his youth, and those of us who are threescore years old are in a position to compare the condition of youth then with its lot to-day. Forty years ago anyone who was honest and industrious could look forward to a measure of success. The youth of to-day has no such outlook.

How many members noticed in the press an account of the discharge by the Bank of England of one thousand of its clerks? The fact was reported in the Winnipeg paper two days before his late majesty King George gave his jubilee address. The bank laid off at one time a thousand clerks between the ages of twenty-six and thirty-four. The management had installed machines to take the place of those employees, and they said to them: We are laying you off, but we will give to each of you either ten thousand dollars or ten dollars a week as long as you live. Seven hundred of them took the ten thousand dollars; three hundred took the ten dollars a week for life. According to British insurance rates the life expectancy of those three hundred would be thirty-seven years, so at the rate of ten dollars a week the Bank of England will have to pay to them $5,500,000, and we know they will have to pay to the seven hundred $7,000,000. So they will pay in all $12,500,000 as retirement alowances because they have put in something to take the place of those men. It is a very generous offer, and indicates, I think, something that will have to be recognized by every country in the world, that if a machine takes the place of a worker, the machine must contribute in some way to his livelihood. That is something for the government to find ways and means of doing. The article went on to say that in the thirty-seven years that the

bank would pay out $12,500,000 it would make a gross saving in clerical wages of $55,000,000, the amount being based on what they would otherwise have to pay to their staff.

The purpose of putting in a machine anywhere must be to save money. If money is saved by laying off workers, surely the replacing agency has a responsibility to the state. If someone robs a man coming from his work he is put in prison, but if a man puts in a machine and prevents someone from getting wages, he is banqueted and called a success. Therefore I say that the first product of the machine is unemployment. Whether or not the government can solve it by putting a production levy or something of the kind on the product of machinery to take care of men deprived of work, there is some ground, surely, for investigation, because the government has to take the first product of the machine—unemployment—and care for it, while the man who has caused that unemployment through the use of the machine is allowed to make what he can. The effect is very serious. We have heard a lot about it already during the session. The first object of a discharge worker is to try to find another job. His chances are remote, and even though he is successful in securing another position it is almost always at a reduced wage. The effects of this wage cutting are also very serious.

Consider, too, the youth problem, which has already been referred to. The effect upon the health of the people has been tremendous. I have just put in six years as superintendent of a hospital, and I tell you that if you want to find some of the results of unemployment you will find them in our hospitals, including those which deal with mental patients. And what effect is unemployment having on crime? I think it will be admitted that the consequences in this direction are very grave. If we find the cause of unemployment we should be able to arrive at some form of cure. The member for North Winnipeg (Mr. Heaps), in a speech the other evening, urged that production and consumption should be brought into equation the one with the other. There is the only solution that I know of—the monetizing of the productive wealth of this country and its distribution to the people according to their need. I do not want to go any further into that at the present time, except to say that the government should find a way to do it. A solution is possible; there is no doubt about that. Our late King George said "Surely the people of this country can solve problems like this." It is no use drifting; it is no use going on with palliatives, which are only temporary; some solution must be found, but whether by way of the machine, as I have suggested, or otherwise, the government should get right after it.

Mr. STEWART: Consideration of this item brings to mind the total of the items specified for the Department of Labour, and also brings into view the aggregate amount provided for in these special supplementary estimates. In round figures the total amount assigned to the labour department is $19,500,000. Of that amount, nine million dollars odd, the item under consideration, which is a very substantial part of the whole, is to be expended in cooperation with the provinces. That brings me to the total of the estimates as shown on page 18, and we find that it is made up of three columns, "projects already undertaken," "other projects," and "total." The grand total of all these is $131,161,143.42. I wish to point out to the committee that included in that grand total are two items, one, an amount of about $29,000,000 which it has been pointed out has already been voted by this committee, so that as far as making provision for this year is concerned it may be disregarded. It is not new money, provided this year. Another item is the deficit of the Canadian National Railways, $39,000,000. Those two added together make about $69,000,000. That deficit of the Canadian National Railways has never before been considered as part of any scheme for the relief of unemployment. Therefore that $69,000,000 is to be taken off this total of $131,000,000. Then there is a further amount of $26,000,000, grants in aid of the provinces which may be for the relief of unemployment, but which in the past has been treated as a contribution for direct relief. With these sums subtracted the balance remaining is very small. The minister has said that he desires to be on firm ground, and that the amount provided in this item is based roughly upon an average of the expenditure of the last five years.

The minister wrote a biography of the Prime Minister, which I have read with a great deal of interest; it is an excellent work. In that book he pictures the right hon. gentleman as an expert in labour legislation and social questions, matters of this kind. His entry into the public service was as Deputy Minister of Labour, and the Minister of Labour tells during the many years which have intervened that the Prime Minister has given special study to these questions. The Minister of Labour himself has also given special study to social and economic questions. During these five years this problem has been with us, and has received critical study. Yet

the minister, desiring to be on firm ground, has nothing better to offer to this committee and this country than adopting for this item the average expenditure by his predecessors during the past five years, and if hon. members look back they will find that the expenditures follow along the same lines, farm placements and matters of much the same sort.

Mr. ROGERS: Has my hon. friend any other suggestions to offer?

Mr. STEWART: I am not offering any suggestions, but I say that what was done in the past must have been fairly sound; we must have been proceeding along pretty sane lines—

Mr. ROGERS: Some were; some were not.

Mr. STEWART: —otherwise the minister, desiring to be on firm ground, would not be adopting the same measures as those adopted by the previous government and basing his expenditures this year upon the average expended by that administration during the past five years. He is not breaking any new ground whatever. And instead of a contribution, as at first appearances this estimate would appear to indicate, of $131,000,000 for the relief of unemployment along these lines, the sum is very much smaller, in fact approximately the same as was expended last year. I find in the report of the commissioner under the unemployment relief act that in 1935 there was expended the sum of $41,829,000. If the items I have mentioned are deducted, it will be found that no greater amount is being provided this year. The minister is proceeding along practically the same line. That is a great vindication of the late government. Neither the Prime Minister, who has studied these questions for all these years, nor the Minister of Labour who has made a special study of them, has anything new to offer, any new contribution to make, but the minister is adopting holus-bolus the policies of his predecessors and making no substantial additional contribution. However, I do not want to oppose the passing of this estimate; I say it is sound, probably the best he can do this year.

Has any agreement been concluded with any of the provinces under which items such as this will be expended during this year?

Mr. ROGERS: I do not wish to deal at all with the general observations of my hon. friend. I may be permitted, however, to say this, without any complaint of unfairness, that this government in its general approach to the unemployment problem does not believe it can be dealt with immediately by any single solution that might be devised. We did not come into office with any undertaking that we would end unemployment by such and such a date, or within any fixed period. We made it perfectly clear that we were going to try to deal with the problem upon the basis of reaching long range solutions by careful study of the entire situation. As a result of such examination of the situation as I have been able to give during the past few months I am convinced that long range study is absolutely essential. But is it not reasonable that in the meantime we should take such measures as we can to consolidate the existing situation, having due regard to all that may be required to meet emergent conditions, which we trust will not occur, during the coming year? We are doing that. With reference to these particular expenditures, we are proceeding, not in a way which the late administration discovered for itself, but along paths which have been approved by the experience of, I might say, all countries confronted with the unemployment situation during the past five years. The late administration did not originate such policies as land settlement and resettlement, expenditures on highways, contributions to farm placement. There is little value in a controversy between this government and the late administration as to the credit for discovering this or that method for dealing with the unemployment situation, and I have tried to avoid a discussion on that basis. If my hon. friend wishes to discuss this whole problem on another plane I suppose I must meet him there, but I am not anxious to do so.

Mr. STEWART: I would think not.

Mr. ROGERS: But if I were required to do so I could, for example, take the blank cheque legislation, to which some references were made this afternoon, and I could suggest to him that under the present legislation it would not be possible in the course of six months to enter into with one province three separate agreements, one of which by order in council was dated October 22 of last year.

Mr. STEWART: What is to prevent the minister under this item from entering into more than one agreement with any one province during the coming year?

Mr. ROGERS: Because we are limited to a definite sum set down in the estimates, whereas under the relief legislation of last year there was absolutely no limit of any kind.

Mr. STEWART: Does the minister think that because he keeps within the total of a limited sum he is prevented from entering into more than one agreement with a province, throughout the year?

Mr. ROGERS: For the expenditure of money, yes.

Mr. STEWART: I do not understand so.

Mr. ROGERS: But under previous legislation, as the hon. member knows, the government might have reached an agreement with a province on July 10, as a result of pressure might have entered into another on September 20 and, as a result of further pressure, into another on October 22. That would not be possible under this legislation.

Mr. STEWART: Why not? Will the minister explain where in the statute or in any other provision there is anything to prevent him from making one, two or three agreements with a province? I think he ought to be able to do this, if conditions develop which render it desirable in order to accomplish the object he has in view.

Mr. ROGERS: I think the limitation lies clearly in the appropriation. The appropriation is to be allocated to the different provinces. When we have entered into an agreement with a certain province, such agreement will exhaust the amount of the appropriation available for that province. But under previous legislation the amount available for any province was never exhausted, because there was no limit whatsoever upon what might be paid under the terms of the relief legislation.

Mr. MacNEIL: I have taken little part in the discussion because I am not disposed to be critical simply for the sake of being critical. I have endeavoured to follow the statements of the minister to piece together the complete plan of the government with regard to unemployment relief, and to translate that plan into terms of immediate and actual benefit for those now suffering the miseries of unemployment. I have in mind a statement made by the minister on a previous occasion to the effect that past methods have failed, and that unemployment in Canada has now developed persistent characteristics. I am at a loss to discover, and I should like some assurance from him in what respect the plan he has outlined represents definite progress.

I am exceedingly anxious that the expenditure of large sums such as that now before the committee should represent more clearly than before an investment in employment rather than one in unemployment. For a moment I should like to consider not only the economic losses represented by unemployment, but the social losses, a phase of the situation which has not been given sufficient emphasis in our debates. The social loss is represented in the deterioration of the skill of our labour, the lowering of health standards and the general demoralization of our youth. Such losses demand immediate action and a definite mobilization of national resources.

I believe we should have some assurance from the minister that in the general policy now fully before the committee at least a substantial number of those now on relief in Canada will, before next winter, have an opportunity to secure that which they desire more than anything else, namely employment under proper working conditions and at a living wage. We should not be so reluctant to learn from the experience of other countries, and when I make that statement I have Sweden in mind. That nation has demonstrated its ability to maintain its living standards throughout the entire period of the depression. It has reduced unemployment to a point at which those unemployed represent less than one per cent of the population, and it has effected a revival of trade. I understand that part of its success is due to careful planning and coordination, and the central direction of expenditures such as those now under discussion. In the past the chief criticism of our policy has been lack of planning and lack of central direction and control.

The minister has suggested that there has been a lack of constructive criticism, and with that in mind may I remind him that on previous occasions we have suggested that the government should assume a more definite measure of responsibility in connection with the direction of expenditures of this type, having in mind the objective of a national plan. I have not yet discovered how these expenditures will be dealt with under the plan which, we hope, will be developed by the national employment commission. When I return to my constituency I shall have to meet the unemployed. Groups of them are organized at different points, and they will be anxious to know exactly what benefits will accrue to them and what opportunities they will be given to return to employment. I suggest that the minister should not complain if we ask of him a more definite assurance that in connection with the expenditures contemplated steps will be taken to work out a national plan to deal with a subject of

grave national importance, so that those now in distressed circumstances may receive promptly a measure of relief greater than that which has been given in the past.

Mr. FINN: I am going to speak frankly this afternoon, as did the Minister of Labour. As I read item 330—

Mr. ROGERS: We have passed 330.

The CHAIRMAN: We are considering item 335.

Mr. FINN: I stand corrected. I was not in the house for the first hour this afternoon, and I sought information from some hon. members sitting round me. It was on that information I proceeded to speak. What is the number, sir?

The CHAIRMAN: Item 335.

Mr. McIVOR: Carried.

Mr. FINN: Apparently the hon. member does not come from the maritime provinces.

The CHAIRMAN: Is the item carried?

Mr. FINN: No.

Mr. McIVOR: I do not come from the maritimes; I come from a place that does not like to ride a merry-go-round, and if this debate is going to go round and round and round I should like to see it stopped.

Mr. FINN: All I would say to the hon. member who makes reference to a merry-go-round is that if he comes from the west he must know that amounts voted in this house for the prairie provinces would enable nearly everybody out west to get on the merry-go-round every day while we in the maritime provinces would have to walk.

Mr. McIVOR: I would inform the hon. member that I do not come from the west, just now.

Mr. FINN: Well, he may not come from the west "just now," because he is here. The question is: Where did he come from? I do not know what constituency the hon. member represents.

Mr. DUNNING: From Ontario.

Mr. FINN: Well, that may be a little better, but I would have to take it into consideration. Under item 335 I would say—

An hon. MEMBER: Carried.

[Mr. MacNeil.]

Mr. FINN: "Carried" again, eh! Well, one thing they cannot do, they cannot carry me out. Mr. Chairman, would you mind having the assistant clerk read the item? I cannot find it.

The CHAIRMAN: It is item 335.

Mr. FINN: I have it under my thumb now.

Mr. STEWART: Do not let it get away.

Mr. FINN: There isn't a possible chance.

The CHAIRMAN: Will the hon. member be good enough to proceed with his observations.

Mr. FINN: I believe any member of the committee has a perfect right to discuss any item of these or other estimates, or to discuss any matter involving the government and the people of Canada. I do not propose by such utterances as "hear, hear," or "carried," or by any other articulate sound to be prevented from expressing my views concerning any matter. As was stated by the Prime Minister, our great party stands for democracy; democracy is liberty, and liberty is the right to speak. If I did not come here to speak I should have been tongue-tied, and under those circumstances I would not be here because I would not have been able to talk to my constituents.

Although I do not speak in criticism of the Minister of Labour, it seems to me that we cannot get information concerning agreements entered into with the provinces. I am interested in all the provinces, in their progress and development and in their relief problems. I am not narrow, nor do I come from a province that is, nor do I think any province is particularly narrow. But the point is this: Surely I am within my rights in asking the Minister of Labour what agreement has been entered into with the government of Nova Scotia, either through the premier or the attorney general of the province or the gentlemen who came here two or three times to sit down and discuss the basis on which these moneys were to be spent. I would like to know in a general way what agreements have been made with the government of Nova Scotia. The premier of the province is the Hon. Angus L. Macdonald. I would be slower to speak if his was a Conservative government, because it might be thought by some hon. gentlemen opposite that I was doing so for the purpose of embarrassing the government, but the government of Nova Scotia is friendly to the government here, which is friendly to them, and therefore

any question I ask, if it carries with it a criticism, applies to one of two Liberal governments. So, as a Liberal myself I think I am fairly broad-minded. I should like to have that information from the minister so that I may be able to send an intelligent answer to the many letters I have received from my constituents, to whom I have been able to reply up to date in acknowledging their letters, only; "The information will later be forthcoming. Yours truly, R. E. Finn."

Mr. ROGERS: In answer to the question put by my hon. friend I may say that no agreement has been entered into as yet between the dominion government and the province of Nova Scotia. The preliminary conversations have not yet been concluded. The negotiation of these agreements, as hon. members will understand, occupies some time, but we are proceeding as rapidly as possible with the preliminary discussion.

Mr. FINN: In reply to the hon. Minister of Labour I would use the words of the emperor of Ethiopia, Haile Selassie, "I will wait. I will fight on. I expect my tardy allies will soon arrive," for, he said, "I am fighting for a principle, and that principle is collective unity."

An hon. MEMBER: Collective security.

Mr. FINN: Collective security or unity, because you cannot have security unless you have unity. It seems to me, so far as the unity between the provincial governments and the federal government is concerned—

An hon. MEMBER: Ethiopia.

Mr. FINN: I heard someone interject, "Ethiopia." What happened there? The best that England could do was to send a British destroyer to Djibouti in French Somaliland the ocean terminus of the Addis Ababa-Djibouti Railway after the emperor had left his capital seeing it in flames through the aggression of Mussolini, and his temporary success made of him a Caesar.

The CHAIRMAN: Order.

Mr. FINN: That was just an interjection, Mr. Chairman, and if it is not in order I shall be pleased—

Mr. STEWART: Strike it out.

Mr. FINN: I will strike it out so far as the report goes, if it is the order of the chairman, but it is not struck out of my mind. I would ask the Minister of Labour when these agreements are going to be entered into, and whether the votes of money can be utilized and expended before the agreements are entered into.

Mr. ROGERS: The agreements will be concluded under the terms of the relief bill which has not yet received royal assent. As a matter of fact I am informed that it has not yet received its final reading in the senate, but we anticipate that the legislation under which the agreements are to be concluded will be passed within a very short time. We shall then be in a position legally to enter into agreements with the provincial governments. I am unable to give my hon. friend an assurance as to the precise date when it will be possible to conclude an agreement with Nova Scotia. We are meeting with the provinces in the order of their requests, and we are hastening the negotiations in order to have this work undertaken at as early a date as possible.

Mr. FINN: If, as the minister says, the expenditure of this money is contingent upon the authority given in the relief bill, and agreements can be entered into only when that bill is passed—

Mr. ROGERS: It is only the preliminary conversations we are having now.

Mr. FINN: There cannot be finality until the relief bill is passed by the senate and receives the signature of the governor general; is that correct?

Mr. ROGERS: Yes.

Mr. FINN: Then I would ask the minister this question with regard to my own province, and I speak of my own province because there are hon. gentlemen here to look after their own provinces. I speak more particularly for my own county, because I do not represent the province. The province is represented, and well, I believe, by my hon. friend the Minister of National Revenue (Mr. Ilsley). He can speak for Nova Scotia as Nova Scotia. If the government of Nova Scotia says that it will not contribute fifty per cent, can the minister under the relief bill now in the senate go on with the federal expenditure regardless of the decision of any province not to contribute under this vote? Can the federal government go on and spend its own allotment?

Mr. ROGERS: The item itself states that the vote is for new works to be undertaken in cooperation with the provinces, and I take it that the dominion government is restricted by that phrasing to works to be carried on

in cooperation with the provinces. It is open for us, however, to determine the amount of the dominion contribution to a joint work. I have indicated earlier this afternoon that it has usually been on a fifty-fifty basis, but that is a matter for negotiation as between the dominion government and the provincial authorities.

Mr. FINN: I would ask the minister another question. Are these votes in the special supplementary estimates for agriculture in the western provinces on a fifty-fifty basis, or are they a straight vote?

Mr. ROGERS: They are a straight vote, I think.

Mr. FINN: Are not these votes to be used in connection with relief?

Mr. ROGERS: Many of these items are straight votes but are designated for relief purposes.

Mr. FINN: Very large sums, amounting to one and a half million dollars, have been voted in these estimates for agriculture. Then, under Labour, we find direct votes of large sums of money to be used for relief purposes in connection with agriculture in the west, but if I took a microscope I could not find what is going to be spent in the east. I should like to know whether representations have been made to the Minister of Labour by the governments of Nova Scotia and the other maritime provinces with reference to this particular matter? There is a great deal of suffering in Halifax and along our shores where the fishermen reside, we have dealt with this only half-heartedly already. I do not desire to take up the time of the committee in discussing this matter; perhaps I could take it up by correspondence with the Minister of Labour, but the principle has been established of voting vast sums to the prairie provinces without any strings attached whereas definite restrictions are placed upon the votes to the eastern provinces. I believe that the government is serious; that it wants to help the people who are on relief and that it wants to let them do something constructive. That was the understanding upon which I was elected and if this is not done, then I should not be here. The condition precedent in the case of Nova Scotia is that that province must make an equal contribution before any work is started; if it does not, then no money is to be spent. The Minister of Labour says, "It may be possible," but "may be" is not good enough. If you say, "may" in a statute, what is provided for is very seldom done, but if you say "shall," it must be done. We should know what we can expect for the people who need assistance in Halifax county and that is why I ask the Minister of Labour these questions. I appreciate his difficulty because of his newness in the position, but he is a master of the subject of economics. I do not think hon. members are taking up the time of the committee when they endeavour to find out upon what basis these contributions are being made. They want to be able to tell the people who are suffering that there will be an opportunity for them to go to work and earn an honest dollar for an honest day's work. If that were possible much of the dissatisfaction in my constituency and throughout Nova Scotia would be cured.

Item agreed to.

Mr. MacNEIL: May I remind the minister of my question?

The CHAIRMAN: I am in the judgment of the committee, but I believe the item has been carried.

Mr. ROGERS: I shall be glad to revive the discussion on another item.

Mr. FINN: Will you pick mine up on the next item?

Mr. ROGERS: Certainly.

Amount required to provide for unforeseen contingencies, $500,000.

Mr. MacNEIL: May I repeat my question addressed to the minister?

Mr. ROGERS: As I understand the question of the hon. member for Vancouver North (Mr. MacNeil), he wishes to know whether these estimates represent the total amount to be available for public works during the fiscal year. I may say that these expenditures will represent all that will be available for public works during the coming year. I quite appreciate the fact that this total will seem inadequate to provide employment for all those who are now without work. We understand fully that such an expenditure will not meet all the requirements of employment and that the expenditure would have to be multiplied in order to provide public employment for all who are out of work at wages which would be regarded as fair and reasonable. I can assure my hon. friend that during the coming year the entire situation will receive a more careful and concentrated study than it has so far received. When the house meets again the government will be in a better position to advise the directions in which

public expenditures may be made to assure the most satisfactory results. I quite realize that my answer will be disappointing to my hon. friend, but I could not make a different reply without misleading him.

Mr. MacNEIL: Will the total to be expended this year be greater than the total expended last year? Will it be designed to work some improvement in the situation directly affecting those now on relief?

Mr. ROGERS: I am informed that the total expenditure will be considerably in excess of that of last year. If we are able to reach agreements with the provinces, as we hope to, upon a fifty-fifty basis of contribution, this item of $9,200,000 will be increased to an expenditure of some $18,400,000. In answer to the question put by the hon. member for Halifax (Mr. Finn), I may say that most of the items in the special supplementary estimates provide amounts directly for certain projects and it is not contemplated that there will be any joint contribution by the dominion and provincial governments. I would remind him also that under other votes an amount in the neighbourhood of $2,000,000 is made available for the construction of public works of various kinds in Nova Scotia. He can add up the totals under the various departments to get the exact amount. Of course we shall deal with Nova Scotia under the item just passed, but that will be upon the basis of joint participation. In the case of the construction of public highways, the dominion is contributing to what has always been regarded as a provincial responsibility, but this would not apply to the construction of public buildings to maintain dominion services.

Mr. BOTHWELL: That means that work undertaken under the last vote, No. 335, and possibly under this vote, will be in connection with projects recommended by the various provinces?

Mr. ROGERS: Yes.

Mr. FINN: I do not want to prolong the discussion on this matter, but I should like the minister to explain his reference to the $2,000,000.

Mr. ROGERS: I was referring to all special supplementary estimates, not merely to those pertaining to the Department of Labour. As a matter of fact I have excluded items under the Department of Labour. I was referring to expenses under Public Works and under Marine.



Mr. FINN: A moment ago the minister said that these were the only relief estimates.

The CHAIRMAN: Is the hon. member discussing item 336?

Mr. FINN: I am discussing item 336 in the light of the answer given by the Minister of Labour. He said that under general votes other than public works there was $2,000,000 for Nova Scotia. That does not come within the item, and therefore I do not see why I should be singled out when I ask a question in reference to the statement just made by the minister. If he went outside the estimate why should I be ruled out of order? I wish to have certain information and I am sure I shall receive it from the Minister of Labour.

The CHAIRMAN: I would point out to the hon. member that we are discussing item 336, which is a vote for $500,000, an amount required to provide for unforeseen contingencies. I would ask him to confine his remarks to the item under discussion.

Mr. FINN: With all due deference, sir, to your ruling, which I accept, I wonder why it is that when the Minister of Labour himself went outside the item the fact was not drawn to his attention but is pointed out to me.

Mr. ROGERS: My hon. friend will agree, I think, that I had given an undertaking to answer his question in connection with another item, and if I went beyond the subject matter of item 336 it was simply because I was seeking to give him the information he desired. If the information I have given is not adequate and there is any further information I can give him, either in my office or here, I shall be only too glad to let him have it in so far as it is available.

Mr. FINN: I am perfectly satisfied. What I am particularly interested in comes under any one of these votes; it comes under this very vote which is now being discussed, an amount required to provide for unforeseen contingencies. I think that description could be correctly applied to all the items that have passed, for they are all unforeseen or perhaps to be correct unseen, inasmuch as there are no agreements and no understandings on conversations between federal and local governments. What I want to find out is this: Under this vote, which will apply to my own province and perhaps to my own constituency, if the provincial government should fail to contribute fifty per cent of the cost, can the Minister of Labour

assure the committee that, so far as the federal vote is concerned, the money voted will be expended where it was intended to be expended, and will be expended absolutely under the control of the minister who is in charge of the department concerned with that particular vote? Am I to understand that, or am I to understand that, if the legislature or government of Nova Scotia decides to contribute only $100,000 where $200,000 is called for, the federal government being prepared to put up $200,000 as voted the vote will lapse and the money will not be expended? If that happens, owing to the fact that the province either will not join or has not the money, the people who are in need will stand, when parliament prorogues, precisely where they are to-day. Perhaps the minister is not in a position to answer the question until he has had an opportunity of discussing it with the government. I am content to wait, but it is only in the interests of people who, I know, are suffering and are ready to work but cannot get work, that I am now asking the minister this question. I do not for a moment wish to hold up the estimate, but I should like to get an answer in order to find out the policy of the government in reference to moneys which we vote, which this parliament votes. If the provinces for any reason fail to give fifty per cent, is it the government's intention to have the money expended notwithstanding that contingency, provided the relief act will permit of this being done? If that act does not allow this, then it seems to me there will be a stalemate and the act will have to be amended at the present session. I do not press the minister for an immediate reply, but I submit that there should be a reply within a reasonable time after he has had an opportunity of discussing the matter with the Prime Minister and his colleagues with respect to general policy.

Mr. HEAPS: Will any restrictions be placed upon the provinces with regard to the kind of projects which they can undertake?

Mr. ROGERS: We do not place any restrictions in advance upon the kind of projects that may be submitted. We rather deal with a program submitted by the province, the expenditure on which program in most cases would exceed the amount that would be available as a contribution of the dominion government. In other words, that would give the dominion government some opportunity to express a preference for one project rather than for another, because obviously we must see to it that the projects which are adopted will be those that will contribute as far as possible to employment.



Mr. HEAPS: Do I understand that in the final analysis it will be the federal government that will determine the projects to be proceeded with?

Mr. ROGERS: To this extent, that the federal government obviously determines the projects to which it will contribute, and in the nature of things if the provinces wish to secure the federal contribution they will try to reach an agreement. In fact, that will be the desire on both sides.

Mr. HEAPS: Suppose that in some of the provinces it is thought that as a relief project nothing will produce better results than, say a housing scheme; would such a scheme meet with the approval of the Department of Labour?

Mr. ROGERS: I am unable to give an assurance on that point in advance of its being submitted to the federal government by a province, but I do not think there has been any anticipatory restriction upon the programs that might be submitted by the provincial government. It is for the dominion government to seek to work out, in cooperation with the provincial governments, a program of projects best adapted to improve the relief situation in the particular province.

Mr. HEAPS: Are the municipalities being asked to share any part of the burden?

Mr. ROGERS: As my hon. friend is aware, the dominion government has not dealt direct with the municipalities. It may be that in some provinces certain projects will be put forward which will involve the construction of municipal works, but when it has been proposed that the dominion government should contribute to municipal works the proposal has always come through the province, and the dominion contribution has always been upon a lower percentage basis.

Mr. HEAPS: May I ask if the amount being contributed by the federal government in regard to these undertakings will be by way of a loan or a gift from the federal authorities?

Mr. ROGERS: Under this particular item the contribution is an outright one. It may be that it will be desirable to loan amounts to some of the provinces in order to assist them in meeting their share of what will be required for particular projects. Possibly that is not the point my hon. friend had in mind?

Mr. HEAPS: I quite understand that the amount which the federal authorities may be compelled to give to governments in order to finance projects would be a loan, but the fifty per cent contribution by the federal authorities to these relief projects will be an absolute contribution from the federal government?

Mr. ROGERS: Yes.

Mr. MacINNIS: Could the minister tell the committee if any of the projects authorized under these items will be carried out with what is sometimes referred to as relief labour, that is where the basis of wages is the amount of the relief plus a certain percentage?

Mr. ROGERS: So far as I am aware, no projects covered by the preceding items have been dealt with in such a manner. In fact the agreements with the provinces under which these works are constructed require that there shall be paid to workmen upon those projects the current or prevailing rates of wages.

Item agreed to.

Grants in aid—amount required to provide for monthly grants in aid to the provinces, $26,000,000.

Sir GEORGE PERLEY: I should like the minister to place on Hansard some figures relating to the monthly grants that were made by the previous government—the total will do, I do not want them in detail—then the amount that this government paid from December to the end of March, and also the amount per month that they propose to pay when this legislation passes.

Mr. ROGERS: I take it that my right hon. friend asks for the total monthly payments of grants in aid in each case?

Sir GEORGE PERLEY: Yes.

Mr. ROGERS: The total monthly grant in aid prior to December, 1935, was $1,751,250. Under the increases authorized for the winter months, December to March inclusive, the total monthly grant in aid was $3,066,218.75. Under the revision following the reduction of fifteen per cent as announced on April 1 of this year, the total monthly grant in aid for the month of April is $2,606,285.94. That comprises the total monthly payments.

Sir GEORGE PERLEY: What is $26,000,000 divided by twelve? I make it $2,166,666. How is the minister going to pay $2,606,285 per month out of $26,000,000 voted?

Mr. ROGERS: I am not sure that it is possible to give a definite answer to the question which is at least implied in what my right hon. friend has said. We are making here an estimate of what will be required for direct relief as a contribution from the dominion government during the coming year. There has been, as he is aware, a reduction of fifteen per cent announced for the month of April. We assume that some other adjustment may be desirable as the relief situation is studied during the ensuing months. We are resolved at all events to meet the situation as it develops. This sum of $26,000,000 is an estimate of what we hope and trust will not be exceeded as a contribution from the dominion government during the present fiscal year. I may say that it is considerably in excess of the amount that was paid under grants in aid which prevailed prior to December of last year.

Sir GEORGE PERLEY: That is undoubtedly so. But the minister must have a lot of faith if he thinks he is going to pay $2,606,285 a month for a year out of $26,000,000. He has started on a scale that he cannot possibly keep up. It is quite true that the amount is larger than the previous government gave as a grant in aid. I am not criticising the increase. A large increase was immediately made by this government, and then, when March 31 came, they reduced it by fifteen per cent, but of course that still leaves the monthly sum a great deal higher than the previous government gave as a grant in aid. I think it is most extraordinary for the minister to put in $26,000,000 for the year and then pay out over $2,600,000 the first month.

Mr. ROGERS: I can only remind the committee that the monthly contributions by the dominion to the provinces have not been fixed for the entire fiscal year. The reduction announced for April 1 was one which applied to that month and has been continued to date, but there was no assurance or undertaking that there would not be further adjustments of the dominion grant in aid to the provinces. I believe that in the past it was on a month to month basis; that is to say, there was no agreement that the grant in aid would be continued through the year.

Mr. BENNETT: Yes, we did make an agreement.

Mr. ROGERS: With some provinces, I believe, that was the case.

At six o'clock the committee took recess.

## After Recess

The committee resumed at eight o'clock.

Sir GEORGE PERLEY: To complete the discussion of the point we were at when six o'clock came, even though the grant in aid for April is to be more than one-twelfth of the sum included in these estimates, will the minister give the committee an assurance that the grants in aid will not be more than $26,000,000 during this fiscal year?

Mr. ROGERS: I doubt whether I can give such an assurance, and if I could I doubt whether it would be wise to do so. We must deal with a situation which, as my right hon. friend is aware, is not static but subject to changes from time to time. We have attempted to make an estimate of the amount which we believe will be required during the coming year as a dominion contribution to the provinces for direct relief. I should like to repeat this further statement, which I made before six o'clock, that we are at the same time resolved to meet the situation as we believe the people of Canada would wish us to meet it, as it may alter from time to time.

Mr. MacINNIS: Under the unemployment relief act as it now stands, can a grant in aid be made without having to come to parliament?

Mr. ROGERS: The relief bill of the present fiscal year, section 4, states:

> The governor in council may enter into agreements with any of the provinces respecting relief measures therein and providing for any payments on account of such relief measures to be made out of moneys appropriated for relief purposes by parliament for the fiscal year 1936-37.

Mr. MacINNIS: But under the policy of the present government of having all appropriations passed by parliament, does not the relief bill as it now stands prevent the government from making any further advances in aid without coming to parliament?

Mr. ROGERS: Under the special supplementary estimates our grants for relief purposes are limited to the $26,000,000 therein stated.

Sir GEORGE PERLEY: I think the hon. gentleman is trying to find out how it would be possible for the government under the bill to give a larger amount than $26,000,000 for grants in aid.

[Mr. Rogers.]

Mr. ROGERS: If that is the question, I can only say that parliament will be in session again before the close of the present fiscal year. I had that in view when I said that in any event the government is resolved to meet the situation as it develops.

Mr. MacINNIS: I am not objecting to this amount. As a matter of fact I think the government would be unwise to tie its hands so that in a very uncertain situation it could not deal with any conditions which might arise. Regardless of what the policy of the government may be I do not think it is so tied.

How does this amount compare with the amount of grants in aid during the past fiscal year?

Mr. ROGERS: As they stood prior to December, 1935, the total annual contribution by the dominion government for direct relief was $21,000,000 in round figures. In December, as my hon. friend is aware, an increase was made amounting to seventy-five per cent of the existing grants in aid for the winter months. Then, from April 1 of this year there has been a reduction of the total grants in aid in each case by fifteen per cent. So that upon the basis of the grants in aid as they stand since April 1 the amount for the twelve months would be twelve times $2,606,285, or something in excess of $31,000,000.

Mr. STEWART: Could the minister give the total amount spent for grants in aid during the fiscal year ended March 31, 1935?

Mr. DUNNING: I gave the figure in the budget speech; it will be found at page 2374 of Hansard:

> Direct relief, 1934-35, $19,211,557.

Mr. STEWART: That is not quite the same as grants in aid.

Mr. DUNNING: The system evidently was changed during the fiscal year 1934, because I have here an item, grants in aid, in addition to the sum formerly mentioned. It is shown as from August 1, 1934, which I believe was the date of a change in system. That amount is $14,024,000.

Mr. STEWART: Grants in aid from August until the end of March?

Mr. DUNNING: Apparently that would be the situation.

Mr. STEWART: Has the minister any figure from the preceding March to the month of August?

Mr. DUNNING: Only in so far as it comes within the classification of direct relief then prevailing, the total of which is

$19,211,000. But it is not all in the form of grants in aid. There is some confusion in view of the change of system which took place in that year.

Mr. MacINNIS: Does the minister know if any of this money, granted in aid, will be spent on work in the municipalities, or will it all go in direct relief?

Mr. ROGERS: This amount is designated for direct relief. That is to say, it is not available for relief works.

Mr. PURDY: A few moments ago the minister gave the figure of $2,606,285 for grants in aid. Can he break it down showing the amount for each province?

Mr. ROGERS: The total amount of $2,606,285 was broken down as follows: Prince Edward Island, $3,160.94; Nova Scotia, $59,500; New Brunswick, $37,187; Quebec, $743,750; Ontario, $892,500; Manitoba, $200,812.50; Saskatchewan, $297,500; Alberta, $148,750; and British Columbia, $223.125.

Mr. PURDY: On what basis are those moneys distributed?

Mr. ROGERS: When the policy of joint contribution by the dominion, the provinces and municipalities was abandoned the late administration determined upon the basis of study of the relief needs of the various provinces the grants in aid paid from August, 1934, to December, 1935. When the present administration determined to increase the grants in aid for the winter months it applied the seventy-five per cent as against those formerly existing grants in aid paid to the several provinces.

Mr. MacINNIS: I suppose the grants in aid paid have some relation to the number of persons on relief in each province.

Mr. ROGERS: Yes.

Mr. MacINNIS: Has the minister the numbers on relief in the different provinces for the month of April?

Mr. ROGERS: I am sorry we have not the figures for that month.

Mr. MacINNIS: It is too early?

Mr. ROGERS: Yes. Usually the returns are about a month late; I speak of returns, other than estimates. The February figures were printed in the report of the commissioner of unemployment relief and have been distributed to hon. members.

Mr. MacINNIS: Has the minister the figure for the month of March?

Mr. ROGERS: We have the preliminary figure, but if possible it would be preferable if the hon. member would consult me in my own office as to those figures. It would be unwise to place inaccurate figures on Hansard. We find that sometimes they are subject to wide correction. I believe the figures as given in the report of the commissioner would indicate, numerically, the proportion of relief recipients in the various provinces.

Item agreed to.

DEPARTMENT OF RAILWAYS AND CANALS

Projects already undertaken—to provide for commitments incurred under the authority of item 1, schedule "A" of the Supplementary Public Works Construction Act, 1935 (railway grade crossings), $958,416.51.

Mr. STEWART: May we have particulars of expenditures that have been under these commitments?

Hon. C. D. HOWE (Minister of Railways and Canals): This item covers all the uncompleted work authorized in the year 1935-36. As the hon. member is aware, this fund is administered by the board of railway commissioners.

Mr. STEWART: I was interested in the total, rather than in the details.

Mr. HOWE: I can give the complete information, if the hon. member wishes it. The amount expended out of last year's appropriation was $26,974.49. That was the amount out of an appropriation of $1,000,000. It is simply a sort of hang-over of projects started last year.

Mr. STEWART: So that again this is really a revote of an item which appeared in the Public Works Construction Act of 1935.

Mr. HOWE: Yes, entirely so.

Mr. STEWART: Entirely so, yes. It is a balance of the commitments. Can the minister say what the commitments amount to? Are they for the whole of this sum?

Mr. HOWE: Yes, for the whole amount.

Mr. STEWART: They cover all of it?

Mr. HOWE: The entire amount is the exact total of the commitments from previous items in the Supplementary Public Works Construction Act, 1935.

Mr. MacINNIS: Could the minister say how much of this work is completed?

Mr. HOWE: Some of the work has been completed on which an expenditure of $26,974.49 was made during 1935-36.

Mr. LENNARD: Is this all for the elimination of level crossings?

Mr. HOWE: Further on there is a vote of $1,000,000 to cover such additional appropriations as the board of railway commissioners may make for the same purpose.

Item agreed to.

To provide for commitments incurred under the authority of item 5, schedule "A" of the Supplementary Public Works Construction Act, 1935 (canals—repairs and improvements), $84,100.

Mr. STEWART: Is this of the same type as item 417?

Mr. HOWE: Yes, exactly the same. It is a clean-up of item 5, schedule "A", of the Supplementary Public Works Construction Act, 1935.

Mr. STEWART: What was the amount of that item? I have not the act before me.

Mr. HOWE: It was $750,000.

Mr. STEWART: And with the exception of $84,100 has it all been spent?

Mr. HOWE: That is correct.

Mr. STEWART: It has all been actually paid up.

Mr. HOWE: Yes.

Mr. STEWART: This is just a revote of the balance of that vote?

Mr. HOWE: Yes.

Mr. STEWART: It is just a repetition of the performance we have had here day after day, namely that of voting money twice, and then creating the impression that this government is providing an enormous sum of money for unemployment relief.

Item agreed to.

Other projects—to provide for reimbursement to the Canadian Pacific Railway Company and to the Canadian National Railway Company, upon such terms and conditions as the governor in council may determine, of expenditures to be made by each of the said companies for:

(a) Labour in the employment of certain unemployment relief forces on special work in extension of the said companies' programs of maintenance of way and betterment works during the year 1936;

(b) Workmen's compensation liability relative to such labour;

(c) Certain allowances for transportation of such labour;

[Mr. MacInnis.]

(d) Certain other expenditures for labour, material and overhead incurred by the railway companies if such expenditures are made during 1936 in preparation for or in completion of work expected to be performed by the unemployment relief forces but not performed because of shortage of unemployment relief forces, not exceeding in the aggregate, $3,100,000.

Sir GEORGE PERLEY: The minister might explain this item at some length so that we may understand what is proposed.

Mr. HOWE: It was decided as a matter of government policy that an attempt should be made to provide work for those single unemployed men who have been, some of them for some years, in the relief camps, and it was considered that at least one item of useful work would be to assist the railways in picking up their deferred maintenance work, such work to be in addition to the usual maintenance program of the railways. The government consulted the railways, and the respective railway managements stated that they could usefully employ about 5,000 men during the present season.

Mr. MacNICOL: That is 5,000 apiece?

Mr. HOWE: Yes, 10,000 in all. A good deal of discussion took place as to how this would work out from the standpoint of both the railways and the government, and it was found that each would have to spend about an equal amount of money. That is, if the government paid the wages of these 10,000 men, the railways would be called upon to spend another $3,100,000 for supervision, supplies, materials, and other details having to do with work. So agreements have been entered into between the government and the Canadian Pacific and between the government and the Canadian National Railways providing that the government will furnish up to 5,000 men for each railway. It is understood of course that the 5,000 may not be available for each railway because the men might prefer other employment. The men will be employed by the railway at the standard rates of wages for the class of work they are called upon to do. The government will pay in full the wages of the men while thus employed by the railway on this particular class of work.

Mr. SENN: For what length of time.

Mr. HOWE: From the time that it is possible to start the maintenance of way work and for as long as the weather will permit it to be carried on in the fall.

Mr. DONNELLY: Where track has been laid, for instance, but no ballasting done, will the men be available for that class of work or only for the maintenance of old work already completed?

Mr. HOWE: I do not know that there is any specific prohibition against using the men on new track, but this is chiefly for maintenance of way work on road already constructed and in use, such as ditching, track laying, and work of that sort.

Mr. MacNICOL: As a matter of economy the railways reduced their maintenance staffs to skeleton crews some years ago, and the impression I have had is that during the last three or four years a large number of men who were formerly employed by the railways on maintenance and repair work have been unemployed. Are we now to understand that all these men who have been laid off by the railways themselves are to be reemployed and that in addition each railway requires 5,000 men?

Mr. HOWE: There is a distinct understanding with the railways that they will engage their usual summer maintenance crews before any of these men are taken on.

Mr. HEAPS: I understood the minister to say that there were no restrictions on how the railways were to expend this money. If that is correct, it leaves a very wide opening for the railways to use the money for purposes other than that intended. I feel that the money should be used for the purpose for which the minister told the house on a previous occasion it was intended, and that it should be spent in such a way as to provide the greatest amount of labour. I wonder whether I am correct in my interpretation of the minister's remarks a few moments ago.

Mr. HOWE: I do not think I made that statement. The government is not giving money to the railways to spend as they like, but is giving them the services of these men to be employed at standard rates of wages for the class of work on which they are employed. These men are to be used for maintenance of way work. I said a moment ago that I did not know there was any specific prohibition against using the men on new work, the extension of a line, for instance, but I see that the agreement says definitely that it is for maintenance of way and betterment work.

Mr. HEAPS: What are the conditions under which this money is to be given to the railways? Is it a grant outright or a conditional loan?

Mr. HOWE: We pay the wages of the men while they are employed by the railways. You might call it a gift from the government, if you like.

Mr. HEAPS: I understand that these men who are employed by the railways on maintenance work will have their wages paid entirely by the government as part of its policy of relief. If that is the case, would the minister inform the committee how much of this vote will be for labour and how much for materials?

Mr. HOWE: The entire amount will be for labour. We are voting $3,100,000, and in addition to that the railways will spend another $3,100,000 for supervision and materials.

Sir GEORGE PERLEY: The item itself does not say that the money will all be spent for labour. If the minister will read it himself he will find provision in the last clause for other payments.

Mr. HOWE: In spite of the wording the only exception is allowances for the transportation of the men to the point of employment. Under the terms of the agreement there is nothing permitted for material.

Sir GEORGE PERLEY: If that is the case, the item should be worded differently, because it says distinctly under paragraph (b) for instance that the money may be used for other purposes, and paragraph (d) says that the money may be used for "expenditures for labour, material and overhead incurred by the railway companies if such expenditures are made during 1936 in preparation for or in completion of work expected to be performed by the unemployment relief forces but not performed because of shortage of unemployment relief forces." If the minister is correct in the statement he has just made this item should be amended. I for one think it should not pass as it now reads.

Mr. HOWE: I have now the explanation. Assuming that the government can furnish 10,000 men the money is all spent for labour, but naturally the government cannot guarantee to furnish 10,000 men from this source, and provision is therefore made that if we furnish a lesser number, say 5,000, the railways shall be reimbursed for the expenditures they have made in preparing work for 10,000. Paragraph (d) is to cover that contingency because the railways in preparing a program of this kind must go to some expense.

Sir GEORGE PERLEY: The minister uses the word "furnish." I do not understand that the government is going to furnish la-

bour. As I understand it, each of the railways is going to engage this extra 5,000 men, and I was going to ask the minister if he has any guarantee from the railways that they will take as many as 5,000 each from the camps. The railways are going to engage these men and the government is going to pay their wages. That is the agreement in a few words. With all the unemployed there are in Canada, the minister suggests that the government may not be able to furnish more than 500 men, at least may not be able to furnish the 5,000 men. I say to the hon. minister that with all the unemployed we have in the country, surely 5,000 men can be supplied for each of the railroads and proper wages paid. I do not understand the suggestion put forward by the minister that the government might not be able to furnish the 5,000 men to each of the railways.

Mr. HOWE: This item refers only to single unemployed men who were in the relief camps. The last figure I had showed that the number of men in these camps was something less than 15,000. This is an indication that, as usual, a number of men have left the camps and have found employment on the road. If another 5,000 men were to find employment without recourse to government assistance—we would be very glad to have that happen—obviously the government would not be able to furnish 10,000 men from these relief camps. This vote does not cover any men whom the government might care to send to the railways; it refers only to men from the relief camps.

Mr. HEAPS: Supposing 10,000 men cannot be furnished from the relief camps and the railways have made their preparations to take on that number for the class of work specified in this item, what objection would there be to taking single unemployed men who are not in the camps but who would be glad to have work of this kind during the summer months? Do I understand the government is going to tie its own hands and the hands of this house by refusing to accept men not from the relief camps?

Mr. ROGERS: As this item is closely related to a policy announced by the Department of Labour, perhaps I might be permitted to say a few words in answer to my hon. friend. When it was announced that the government proposed to close the relief camps conducted by the Department of National Defence, it was stated to be a definite part of that proposal that these men would not be turned out of these camps without some provision being made for their future. I think that was fully understood by the house and I am quite sure my hon. friend would be the first to accept such a view.

Mr. HEAPS: Absolutely.

Mr. ROGERS: There were two methods by which we could proceed. We could continue necessary work on existing projects until July 1 and pay the men an increased allowance during that period. At the time we made our plans there were some 20,000 men in the relief camps and we realized that it would be essential to make some large provision for additional employment after July 1, the date set for the closing of the camps. After careful investigation we concluded that work on maintenance of way upon the railways was a direction in which employment could be afforded to provide assistance to the men as well as greatly to improve the railroads which improvement in turn would add to the travelling comfort of our people. We have every reason to believe that the relief camps will be able to supply these 10,000 men. My hon. friend brings up the question of other men without employment not having the same opportunity for this employment—

Mr. HEAPS: Not exactly. What I said was: Assuming that there were not 10,000 men available from the relief camps, would persons not in the camps be debarred from making up that total of 10,000?

Mr. ROGERS: As I recall it, the understanding is that the railway companies will take up to 10,000 men from the relief camps. If for any reason we should not be able to supply 10,000 men, I have no doubt that arrangements can be made to supply from the relief hostels in various parts of the country an additional number of other single homeless men to make up that total. I state that, subject to correction as to the precise terms of the agreements to be made with the railway companies. What I wanted to bring out was that this is simply part of a general plan to bring the relief camps to a close.

Sir GEORGE PERLEY: Have the agreements not been made?

Mr. ROGERS: These agreements will have to come under the terms of the relief bill of the present fiscal year and in a legal sense they cannot be completed until the relief bill has been passed.

Mr. MacNICOL: Would the other unemployed men to be supplied to the railways, provided the camps cannot supply the required number, be selected by the government's own employment bureaux in the different cities?

Mr. HOWE: Yes. This project is definitely for the purpose of finding large scale employment for single unemployed men who are now more or less wards of the government.

Mr. MacNICOL: That would be the proper way to deal with the matter.

Mr. HOWE: Yes.

Mr. STIRLING: Do I gather from the Minister of Labour that the railways are interested in the source from which these men come and wish them to come from the relief camps? I think the men to be chosen should come under the much wider category in subsection 2 of section 3 of Bill No. 19 which reads:

—for the employment of persons who being available and competent are necessarily and properly in receipt of relief in the province in which such work or undertaking is to be performed.

There now seems to be some limit in connection with the 5,000 men to be supplied to each railway. Is it the understanding that they are to come from the relief camps lately under the direction of the Department of National Defence?

Mr. HOWE: Yes, that is definitely the understanding. Of course we are contributing this labour to the railways. That is, we are paying the cost of it because we feel that this is a measure to supplant these relief camps.

Mr. STIRLING: Is the government paying the whole cost of the wages to these men?

Mr. HOWE: Yes, all the wages to the men.

Mr. McCANN: How much will be spent by both railways and the government?

Mr. HOWE: About $6,000,000.

Mr. McCANN: Everyone who knows anything about maintenance of way work on the railways knows that labour constitutes at least four-fifths of the cost of this work. I assume that if the railway companies are going to spend dollar for dollar with the government, they will employ considerably more than the 10,000 men to come from the relief camps, or they will be charging against their account exorbitant rates for haulage, shovels and the like in connection with the gravel pits. As I say, over four-fifths of the cost of work done on maintenance of way on the established lines is for labour, so in order to spend dollar for dollar the railway companies will have to employ at least double the number of the men that are to be provided by the government. If they propose to keep on the same number of men this year as they have had in other years on maintenance work, this will necessitate their having at least 20,000 men. That would take up the 10,000 men from the camps, plus another 10,000 men. I should like to know if the government, through its employment agencies, is to have any say in connection with the extra men to be employed?

Mr. HOWE: My hon. friend says "everyone knows," but I shall have to make some exceptions to that. The Minister of Railways does not know; his deputy does not know and his chief engineer does not know. We checked very carefully the figures that we put before us and we found that if the supervision—

Mr. McCANN: The supervision will be high.

Mr. HOWE: There will be the men required to supervise the work; there will be the materials required for the work as there is a considerable amount of ballasting to be done, and there will be the cost of equipment. The figures I have given appear to present the true picture.

Mr. COLDWELL: Is any provision being made with regard to unemployed railway men in the various towns? If the railways are being subsidized to this extent—and I was not aware that the government was to bear the whole cost of the wages—I should think something ought to be done to try to get the railways to take on unemployed railway men. There are hundreds of them in the cities and in some of the smaller centres. Even in the little town of Biggar in my constituency there is a number of railway men who have been almost altogther out of work for several years. Cannot something be done in their behalf when the railways are being subsidized? If we are to embark upon the subsidizing of institutions for the purpose of employing men, the railways are not the only ones that should be considered. We have a bill for the rehabilitation of agriculture and I believe a great deal of unemployed labour could be used advantageously in assisting to clear land which has already been settled in order that the settlers may become self-supporting. That would be a valuable form of the utilization of such subsidized labour. However the specific question I am asking at the moment is: What is to become of unemployed railway men in these towns? Is anything going to be done to give these men employment in view of the subsidy given the railways?

Mr. HOWE: There is a distinct understanding with both the railways that the ordinary maintenance crews will be employed before

this type of labour is utilized by the railways. I think my hon. friend will agree that the railway man who has seniority should be given the first opportunity of seeking employment on extra crews. I doubt very much whether the hundreds of men he speaks of will not be offered work on extra gangs during the summer months. That includes any man with seniority.

Mr. HEAPS: Will a copy of the agreement between the two railways and the government be tabled?

Mr. HOWE: The agreement has not yet been executed. It has been signed by the railway companies but the government has not signed it because it has not the authorization.

Mr. GREEN: Is each railway to get the same number of men?

Mr. HOWE: Yes, that is the provision.

Mr. MacLENNAN: In many of the towns there is a great number of young single men, now out of employment who were employed by the railways some years ago. They were laid off and they have been waiting year after year for brighter times in the hope of being reemployed on the railways. I understand that in Nova Scotia at a certain point, the terminal at Point Tupper, there are many unemployed men who worked on the railways in years gone by, and under this scheme it is the intention to send men from God knows where, from the relief camps, to work at this point, while these men who have been waiting for years with their mouths open will get no employment at all. I do not desire to criticize any scheme which the government is strenuously putting forward to alleviate the unemployment situation, but I really do not think it is fair that men who are now out of employment should be handicapped because they refused to become a public charge, to go into the camps or to take relief. It seems to me to be rather unfair that because of this refusal, because of their independence and possibly because of a little pride—and I wish there were a little more pride left in many people—these men are now to be penalized. They did not choose to go into detention camps, though if they had gone there they would now be eligible for employment, whereas under this scheme it would appear that they are to be penalized for not having become a public charge.

Mr. McIVOR: On the Canadian National at Fort William there are men working who have not worked so early in the season in years. I know these men personally and I can say that usually they do not get work until well on in the summer. Now they are engaged in regular work with wages.

Mr. MacINNIS: I do not know whether it is wise to ask more questions on this item; the more questions I ask the more confused I am. Whether it is because I am dense or because the answers are not clear I do not know. Do I understand the minister to say that the whole of the item of $3,100,000 is to be paid in wages to the men who are to do the work?

Mr. HOWE: That is correct.

Mr. MacINNIS: What is meant by paragraph (d) which has been read by the acting leader of the opposition? Where is the appropriation for that item?

Mr. HOWE: Under certain conditions, to pay for materials?

Mr. MacINNIS: Yes. I am referring to paragraph (d), which mentions materials and certain other expenditures. If the whole of this money is to go in wages there will be nothing left for materials and there is nothing further on in the list.

Mr. HOWE: What I attempted to say was that that was a saving clause for the government. In the event of our falling lamentably short of the supply of 10,000 men whom we have asked the railways to be prepared to use, we have provided for recouping the railways for such loss as they may incur in consequence of our failure to supply the number of men.

Mr. MacINNIS: Why should there be any loss even if the government could not find a sufficient number of men in the unemployment relief camps? Could not either the government or the railways advertise for men to do the work? Is there any reason in the present state of the labour market why they should not find the men? I assume that this work is necessary; that the railway companies must perform it if they are to keep their tracks in proper repair; if they are going to this expense it must be because the work must be done. Either that is the situation, or the government is making them a free gift of a certain amount of work, not necessary, in order to keep men employed. That seems to be the only construction to which this item is open as it stands. There is no reason in the world why the government should have to pay for materials. As

this item stands, the government furnishes the money to pay the men; the men do the work, and the railways are going to receive all the relief given.

Mr. STIRLING: I think the reason I am under the misapprehension that the railways as well as the government were contributing to the wages to be paid is my misunderstanding of the statement of the Minister of Labour on February 26, in which he said in part:

> This work will be in addition to the usual maintenance work of the railways. It will be undertaken on a cooperative basis, provision for which will be proposed in the emergency supplementary estimates. Men taken from the relief camps by the railroads will be in private employment and on a basis of work and wages.

I certainly took that to mean that under the cooperative effort the railway companies and the government were going to contribute to the wages. That apparently is not what the minister meant.

Mr. HOWE: I think it is a cooperative basis. My hon. friend, as an engineer, will know that to do work of any kind requires both men and material. In this case the railways furnish the material, the supervision and the equipment of all kinds and stand the costs in connection therewith. The government pays the costs of direct labour of the men it furnishes to the railways. Therefore I think the statement of the Minister of Labour was accurate.

Sir GEORGE PERLEY: I should like the Minister of Railways to enlighten us on this point. I know that the agreement cannot legally be put through until authority is given by parliament. But the draft is ready and has been signed by the railways. Does it provide that only men from the relief camps can be used for this purpose, or, as my hon. friend from Winnipeg North suggested, if there are not enough men from the relief camps, who are to work there? Is there any provision by which other unemployed men can be used for this purpose?

Mr. HOWE: The railways agree to utilize men furnished them by the government. We propose to take those men from the relief camps.

Sir GEORGE PERLEY: Only?

Mr. HOWE: But if we wish to extend that further, there is nothing in the agreement to prevent our doing so.

Mr. STIRLING: Still, the government will pay the wages.

Mr. HOWE: Quite; if we furnish the men to the railways we pay their wages.

Sir GEORGE PERLEY: What is the purpose of the government with regard to this particular point? Do they intend to pay the wages only of men who have come from the relief camps, or, if there are not sufficient of those, do they intend to pay the wages of other unemployed?

Mr. ROGERS: I think it has been made sufficiently clear that under the work as contemplated we propose to supply these men from the relief camps up to a maximum of 10,000 men. If there should not be 10,000 men available from the relief camps, it is within the terms of the agreement as I understand it that they can be supplied from other sources, and I need not remind the right hon. gentleman that there are relief hostels in our larger cities from which the additional number could be supplied without any difficulty whatsoever. As a matter of fact, upon the basis of progress made thus far, we do not anticipate that there will be difficulty in supplying the 10,000 men from the relief camps. That was the original object of the plan. It is bound up in an integral way with our whole plan of closing the relief camps as from July 1.

Mr. COLDWELL: Looking at this amount and all the items, including compensation, transportation, overhead, material and so on, the cost of the 10,000 men will run to about $300 a head. The question I am asking is this: Are these men paid wages and then will they pay the company board? Or will the company board them and the government simply pay an amount of wages? In other words, is the company making a contribution by way of board and lodging and the government paying the wages, or will the government also pay the board of these men? Or will the board be deducted from the men's wages? If so, has a basis of such deduction been arrived at between the government and the railway companies?

Mr. HOWE: The men will be furnished in exactly the same way as any other people who are employed by the railway on the same class of work. There will be no special privileges or exemptions or anything else; they are just men returning to the ordinary occupations of life, employed in the ordinary way, paid wages in the ordinary way, exactly as any other men who are employed on extra gang work for railways.

Mr. PERLEY (Qu'Appelle): Could the minister inform us whether under this item the railway companies could undertake such work as reconditioning freight and passenger cars, locomotives and equipment?

Mr. HOWE: The work is restricted entirely to maintenance of way work, extra gang work. In railway circles extra gang work is very clearly defined as work on tracks.

Mr. THOMPSON: Is it the policy of the government to utilize all the men in the unemployment camps before any unemployed railway men will be taken care of?

Mr. HOWE: We seem to be working in circles. I explained some time ago that all normal railway employment will be utilized before we recruit any men from the relief camps. That is just the opposite of what my hon. friend suggests.

Mr. SENN: May I ask the minister if under the terms of this agreement the railways will have the authority to dismiss men who are not found satisfactory? In addition to that, will they be replaced by the government?

Mr. HOWE: Of course the railways must be permitted to dismiss men who are not satisfactory. Whether they are replaced or not will, I suppose, be optional with the government. In other words, if they are not replaced we shall not be held responsible for the wages.

Mr. GREEN: What is the connection between this particular vote and item 427, which provides for a loan of about $1,100,000 to the railways, presumably for this same work? Is that $1,100,000 a part of the $3,100,000 which we are putting up under item 419, or what is the explanation?

Mr. HOWE: I do not know whether it is in order to explain a vote that we have yet to come to, but I should be very glad to do so. The difficulty of making this agreement with the railroads was that when we first approached them they both had had their budgets for 1936 approved, and no provision had been made for the railroads' portion of this item, amounting to about $3,000,000 for the two railways. In order to facilitate the making of the agreements, we undertook to finance the railways for a short period for the portion of the railroads' part of the expenditure that will be for labour, that is the labour of supervision and the skilled labour used in operating the equipment necessary to put these men at work. It is purely in the nature of a loan with interest to the railways for a short period to permit them to take advantage of this situation.

Mr. THOMPSON: Another matter is not clear to my mind. I understood the Minister of Labour to say a moment ago that all the men in the relief camps would first be absorbed. Now I understand the Minister of Railways to say that the unemployed railway men will be taken care of first. I represent a large railway town, Smith's Falls, in which there is a large number of unemployed railway men. It would seem only right and proper that if work is to be done on the railways these unemployed railway men should be taken care of before outsiders are taken on. If I am not mistaken, the Minister of Labour said a moment ago that the unemployed men in the camps would be taken care of first.

Mr. ROGERS: Out of the 10,000.

Mr. HOWE: Perhaps I can make this clear. This vote has nothing whatever to do with the ordinary maintenance work on the railways. In other words the railways continue with ordinary maintenance work with their usual forces, and I think my hon. friend will agree that, as I explained before, any man with seniority on the railway has been employed during the last summer or two on maintenance of way or extra gang work. This procedure will be followed first; and it is entirely aside from this problem. This work is entirely apart and in addition to any ordinary maintenance of way work of the railways. The first men to be employed for this additional gang work, which is to be separately organized in every way, will be the men from the relief camps, as my colleague the Minister of Labour has said.

Mr. LANDERYOU: Is it going to be the policy of the government to take men from the relief camps, place them in employment with private companies and pay their wages with government funds? If so, and if there is any surplus of men left in the relief camps, have the government any idea what they are going to do with those men? Would they consider putting them at work like farming and in that way subsidizing the farmers of western Canada? This looks like a gift to the railways as far as I can see.

Mr. ROGERS: I believe that same question arose during the discussion on the estimates of the Department of Labour. In addition to providing this extra gang work for 10,000 of

those formerly in relief camps, we are also making every effort to secure employment for the remaining men in the relief camps, and from the decrease in the strength in the relief camps during the past few months we have reason to believe that these efforts have been quite successful. Apart from that, my hon. friend will perhaps recall that the wage allowance for those who will be engaged in relief camp projects until July 1 has been increased, so that when the men leave the relief camps on July 1, they will at least have some stake for industrial reestablishment.

Mr. LANDERYOU: But what I want to know is whether the government's efforts will include the subsidizing of these men in employment, or is it intended just to let them shift for themselves?

Mr. ROGERS: I am not sure that I understand the distinction. We are maintaining employment for these men in relief camps until July 1, so far as they do not find employment with the railway companies under the plan now before the committee.

Mr. LANDERYOU: But the minister said that efforts would be made to place these men in employment. Does the effort include subsidizing some classes of society to pay their wages?

Mr. ROGERS: The answer is no.

Mr. STEVENS: I do not think we should let this item pass without frankly admitting that we are subsidizing the two railways to the amount of $3,100,000.

Mr. FINN: Hear, hear.

Mr. STEVENS: Namely, $1,550,000 to the Canadian Pacific and $1,550,000 to the Canadian National. It is a straight cash subsidy to the two railways in the form of wages of labour on maintenance of way work. We may as well frankly face the situation; this committee and the country ought to note that the Canadian Pacific Railway Company is benefitting to the extent of $1,550,000. It is about time also that the Canadian people realized that the Canadian National has been vilified up and down the country for the last six years, until it is to me amazing that the officers of that railway have been able to carry on at all. Furthermore we are subsidizing them to the extent of another million dollars by another item. That makes $4,209,400 that the government is giving as a subsidy to the railways.

The hon. member asks what I think is a very proper question. The government is going to subsidize the Canadian Pacific for its maintenance of way work, which is two years overdue. Ride from here to Winnipeg on that railway and you get thrown out of your seat, whereas that road used to be in excellent shape. The Canadian Pacific is two years behind its normal track work program. To talk about this being extra, above all that is necessary, is sheer nonsense. The Canadian Pacific is being given a subsidy of $2,000,000 for maintenance of way work of which it is in dire need. It is time that the people of Canada know we are playing the part of a pretty good friend to the Canadian Pacific, and there is no reason why we should not subsidize some other industries, or the farmers of this country, to take care of 5,000 men from the camps.

Mr. FINN: And the fishermen.

Mr. STEVENS: And the fishermen, too. I deplore the suggestion that we are not giving a special favour to these railways, because we are. Of course to the Canadian National we hand out money pretty generously, in any case; we supply the capital, but we ought to make it abundantly clear that in this vote we are subsidizing the Canadian Pacific for ordinary maintenance of way work, long past due, to keep their trains from rocking off the tracks; that is what it amounts to. Furthermore, it will take a whole lot more than $2,000,000 to put their tracks into normal condition. I say that without fear of successful contradiction. I am not objecting to this vote at all; I would not object to doubling it; I commend the Minister of Labour for the scheme of getting the camps closed and the men into useful work. But I would enlarge that tremendously; I would subsidize the putting of men to work in this country, as my hon. friend from Davenport (Mr. MacNicol) said this afternoon. I would subsidize putting them to work on reforestation. Look at the pitiful little vote for grade separation, $1,000,000. Make it $5,000,000 and do a real job; save a few lives as well as increase employment. Before this session is ended I am going to have something to say about where the money would come from; I am not at all afraid of that. This talk about where the money is to come from, when human lives are going to the devil every day for want of a bit of employment, does not frighten me. It is about time, as the Minister of Finance said the other day, to look facts in the face. There are some other facts to look in the face; this fact that we are subsidizing the Canadian Pacific as well as the Canadian National ought to be noted and well noted in this country.

By the way, the Minister of Finance made the statement the other day that we have done everything the British authorities have done except balance the budget.

Mr. DUNNING: Oh, no, no.

Mr. STEVENS: Well, I am not very far wrong. Read the words.

Mr. DUNNING: I know very well what I said.

Mr. STEVENS: All right, we will pause for a moment and find it. I am not far out, and I am quite willing to be checked, because I think it will sound quite as well in the minister's language as in mine.

Mr. DUNNING: I am quite sure of that.

Mr. STEVENS: Will the minister tell me what he did say?

Mr. FINN: The hon. member had better read it.

Mr. STEVENS: If I have time to find it, I will read it. In any case the minister said that we had done virtually all the British had done, with the exception of balancing the budget. While he is looking his statement up—

Mr. DUNNING: Let me read what I did say.

Mr. STEVENS: Yes.

Mr. DUNNING: I refer to page 2384 of Hansard. Although this is not the budget debate, I believe I should be given an opportunity to make this quotation. I suppose these and other words of mine will be duly and extensively criticized within the next few days.

Mr. STEVENS: I am not criticizing them. I am citing them as an authority.

Mr. DUNNING: The words are these:

> I am well aware that this will be called a doctrine of deflation. Indeed, I have heard it said recently that Canada has been following a policy of "heroic deflation" and that she should take a leaf out of the book of the mother country. It is not easy for me to understand how departure from the gold standard, recurring deficits, financing by borrowing, of the magnitude of these which I have outlined, and a monetary policy which has allowed the Canadian dollar to fluctuate approximately at par with the managed Sterling standard and with the devalued United States dollar and which has made possible an expansion of the country's cash base just as rapidly as that of Great Britain, can be described as deflation. More careful analysis would rather appear to indicate that in those financial matters about the only point in the British program which we have not already adopted is her policy of keeping the budget balanced.

[Mr. Stevens.]

Mr. STEVENS: That is practically what I said.

Mr. DUNNING: Oh!

Some hon. MEMBERS: No.

Mr. STEVENS: Practically what I said.

Mr. DUNNING: As a matter of fact, it reads better than I thought it did.

Mr. STEVENS: It was written, so naturally it agrees. Let me tell the minister that I was citing it for this reason: We talk about doing what the British have done. The government is subsidizing the Canadian Pacific Railway to repair its right of way. That is what we are doing to-night. Why not do what the British have done and subsidize some of our industries to enable them to reemploy workmen in their industries? Assist them in going so far as to relocate; move them from one place to another. That is a part of the British program that we do not have.

Mr. DUNNING: My hon. friend will appreciate that in this instance I specifically referred to the financial problem.

Mr. STEVENS: And that is her financial problem.

Mr. DUNNING: Oh, I see.

Mr. STEVENS: That is part of the British financial problem of which we are not taking notice.

Mr. DUNNING: It is not a financial problem at all.

Mr. STEVENS: Absolutely, it is. It comes out of their general provision for financing for unemployment; that is what it does. We are doing nothing in that respect, with the exception of this matter for which I commended the minister some weeks ago. In so far as it accomplishes the return of men to normal employment, it is good and it is commendable. But do not let us blind our eyes to the fact that it is a straight subsidy to the Canadian Pacific Railway as well as to our own Canadian National Railways, and I can see no reason in the world why the hon. member's question, asked a minute ago, is not a reasonable one. Why should we not extend the subsidizing of private corporations from the Canadian Pacific Railway to other industries, if you like? It may be to the lumber industry; it may be to the factories and it may be, as I said a minute ago, by way of an enlarged vote for grade separation. Why should we not subsidize some of these almost bankrupt municipalities in which there are extremely dangerous level crossings? Of what use will $1,000,000 be in the work of

grade separation? Some of this work is costly, and we could spend $5,000,000 to the greatest advantage. I should like to say to the government that I believe it is their duty earnestly to face that situation and to recognize the reasonableness of this question: Why should we not subsidize some other lines of industry, in addition to the Canadian Pacific Railway?

Mr. HOWE: In fairness to the railways permit me to say that this is not a subsidy to the railways in any way, shape or form. This government had a serious problem on its hands. There were from 10,000 to 20,000 men in the relief camps, the numbers fluctuating with the seasons. Those camps cost the country $9,000,000 in the past year. The men are performing work which, to say the least is hardly commensurate with the cost of maintenance of the camps. For a number of years conditions in those camps have been the subject of complaint, and there has been considerable discontent in them. Some of our authorities consider them a serious menace to peace and order.

Faced with that problem the government went to the railway companies and asked their assistence. In handling the problem it was necessary to have large scale employment within the capacity of men in the relief camps, and by that I mean work which would require perhaps less than the average ability of the men. It is necessary to have the men work under supervision, and work under an organization capable of handling 10,000 men, using decent equipment and working under good conditions. As I say, work was required which would put the men on a basis of equality with other workers in the same class of employment.

We went to the railways with that problem and asked for their help. I may say that they found it rather difficult to help, because their budgets for the year had been brought down, and the employment of large numbers of men required large expenditures, for which they had made no provision. The railways went as far as we could reasonably ask them to go, and in order that they might be enabled to bear their full share we had to help them out by way of loans. But after the railways had come to the aid of the government, as they have, I must object seriously to any man saying in the House of Commons that we are subsidizing the Canadian Pacific Railway, or our own road the Canadian National Railways.

Mr. STEVENS: The minister may object if he likes, but that does not end the matter by any means. It is all very well for him to say that the government had a problem. Of course they had a problem. No person criticizes them in that respect, and I am commending the minister and the government for having worked out the problem, so far as it has been worked out. But to say that the Canadian Pacific Railway and the Canadian National Railways are doing this country a favour by accepting $4,000,000 in restoration of their degenerated—I think that is the best word—

An hon. MEMBER: Reconstruction.

Mr. STEVENS: —right of way is, I think, sheer nonsense. The minister may take objection to what I say, and to the way I put it, but I know what I am talking about. Both railway companies are in dire need of restoration and maintenance of way work. They are in very serious need of it, and everybody knows it. By the way, one or two members spoke about the placing at work of the maintenance of way gangs of the railways. I want to say to the hon. member who appeared to know what he was talking about, and to the hon. member for Fort William, that neither of these railways is restoring its maintenance of way gangs to normal conditions. They may be doing just about one-tenth of the normal work, as they have been doing in the last four or five years. But when hon. members talk about normal maintenance of way work carried on by the railway companies may I say that if it were undertaken it would easily absorb 10,000 men, without a dollar from the government. The railways are not doing that. If the agreement calls for it, and the minister and government will check on it, they will find that a few thousand more men will have work than those for whom provision has already been made.

The minister has objected to my observations, and I take just as strenuous objection to any person who gives out the impression that the Canadian Pacific Railway have come to us, like philanthropists, and have taken 5,000 men off our hands. What that railway is doing is this: It is accepting $2,000,000 from the taxpayers of Canada to help it pay normal expenditures incurred in connection with its right of way. That is what it is doing, and it is not fair to the taxpayers of Canada to suggest anything else.

I had no intention of making these observations, but to-day and other days I have listened to the suggestion that we, the parliament of Canada, were receiving some great favour from the Canadian Pacific Railway and the Canadian National Railways because we were being permitted to pay the cost of their

maintenance of way work. I think it is about time that the country should realize that in this and in other respects we have been very kind to the Canadian Pacific. I am not criticizing that at all; I am quite willing to be kind, but I am not willing to be kind to the Canadian Pacific much longer if they abuse the Canadian National Railways the way they have been doing during the last four or five years. It is about time that the taxpayers of this country who own the Canadian National Railways should realize that they have a good plant and a valuable asset. True it was overbuilt, overextended, but let us look also at the overextension of the Canadian Pacific Railway. Some of these days, when I have an opportunity, I shall indicate some of those facts. I think it is about time that we had a little consideration for the Canadian National railway system, and that the country should recognize that it does not owe to the Canadian Pacific Railway any very great debt of gratitude for accepting two million dollars or so in this case, four or five million dollars in another case, and a loan of sixty million dollars in another case. Let us recognize that we have been a fairy godmother to the Canadian Pacific Railway as well as to the Canadian National Railways.

Mr. CAMERON (Cape Breton): I have listened with a great deal of interest to the remarks of the last speaker, but I scarcely think they are germane to the matter before the committee. I am intensely interested in the question raised by the hon. member for Inverness-Richmond (Mr. MacLennan). If I followed the Minister of Railways this vote is to take care of 10,000 men from the relief camps, and their employment is not to interfere with the ordinary maintenance work of the railways in each season. Along the line of railway with which I am familiar—and I suppose my experience is not different from that of other members—not only does that ordinary work include the usual maintenance work of the railway, but every spring a considerable number of extra men is taken on who, although not permanent, are dependent for employment on that class of labour. But during the last few years, owing to the economies put into effect, their employment has been more intermittent than usual. I am anxious to know whether this extra work will interfere with that class of labour.

Mr. HOWE: Perhaps I should read from the agreement which has been signed by the railway companies but not by the government:

> The company will arrange to extend its program of maintenance of way and betterment work during the season of 1936 so as to provide employment on its line of railway for approximately five thousand men in addition to those who would otherwise be engaged in such work during the said season, and will as far as practicable carry out such work over a period of from four to six months but so that the wages of such additional men will not exceed in the aggregate the sum of $1,502,450.

So the agreement states definitely that these men will be in addition to the men who would otherwise have been employed during the season.

Mr. McCANN: What year do they base that on?

Mr. HOWE: I do not know that they base it on any year. It is 1936 requirements, I assume.

Mr. McCANN: Is the maintenance work this year going to be equal to that of last year or of those years when times were good?

Mr. HOWE: It is in addition to the men they would ordinarily have employed in 1936.

Mr. McCANN: There is a good deal of difference between the number employed in 1929 and in 1935.

Mr. STEVENS: Mr. Chairman, may we ask now that the minister table the agreement because it is one of the recognized rules that any document a minister quotes from shall be tabled? There can be no objection to tabling the agreement because it is signed by both companies and merely awaits, I suppose, the authority of the statute which is before the house. We would have a more intelligent idea of the matter if the agreement were tabled, and it would probably save a good deal of trouble.

Mr. HOWE: I shall be very glad to table the agreement as soon as it is completed.

Mr. McCANN: Will the wage cheques be actually issued by the government or by the railways?

Mr. HOWE: By the railways, and they will be reimbursed by the government.

Mr. McCANN: Might I ask if the government has considered the plan of deferred wages such as they have now in the relief camps? I would suggest that this would be a good plan because after these men have worked a few months, if no part of their pay is held back, a great many of them will be back upon the country again; whereas under the deferred payment plan, if twenty-five per cent of their wages was withheld until the end of the season, and paid to them on

leaving when the work was all finished, they would have something to tide them over the winter months. If that is not done I am afraid that at the end of the season a great many of them will find themselves in exactly the same position as when they started work in midsummer, and the consequence will be that they will continue to be a charge upon the country and probably land back in the relief camps whence they came.

Mr. STIRLING: Does the agreement state what the rate of wages will be?

Mr. HOWE: It will be the standard rate of wages paid by the railways for the class of work the men are doing.

Mr. STIRLING: From the answer of the minister to the question asked by the hon. member for Rosetown-Biggar (Mr. Coldwell), I do not yet know who is going to pay the board of these men. Will the $300, roughly, which will reach each of these men be after board is deducted, or will they have to pay their board out of that $300? If the latter is the case, I do not think the hon. member for South Renfrew (Mr. McCann) need worry very much about deferred pay because the men will not have very much left.

Mr. HOWE: How does my hon. friend arrive at his computation?

Mr. STIRLING: Ten thousand into $3,100,000.

Mr. HOWE: This employment is from four to six months.

Mr. HEAPS: That makes it worse.

Mr. STIRLING: During the period each will get about $300.

Mr. HOWE: It is the ordinary wages for track men, which I believe is twenty-five cents an hour in some sections and thirty-five cents an hour in others; that is for ordinary labour. Board, of course, is provided by the men. I may say in answer to my hon. friend opposite that the question of holding back part of the wages was considered, but we decided that as we were trying to get these men back to active private life, it would be improper to distinguish between the men ordinarily employed by the railways and the men taken from the camps. We wished to rid the minds of these men, some of whom have been looked after by the government for several years of the idea that they were wards of the government. Otherwise it might be hard for them to understand that they were on their own resources. If they want to squander their money, as my hon. friend suggests, they will have to reap the rewards of that sort of thing.

Mr. CAMERON (Cape Breton): I object to being termed, "hon. friend opposite." Our criticism is intended to be helpful. I agree with the minister when he says that we cannot make saints of men, whether they are in the labour camps or on the railways. They have as much right as we have to be foolish in spending their money. My concern is that the labour situation, especially in the municipalities along the lines of railways, shall not be made more difficult by bringing in these men from the relief camps. I know it is a difficult problem with which the Minister of Labour (Mr. Rogers) and the Minister of Railways and Canals (Mr. Howe) have to deal, but my contention is that the problem should not be made more difficult for the municipalities through which the railways pass.

Mr. FINN: I did not catch the exact words of the agreement with the railways. The minister referred to certain specific purposes such as the betterment of roads and so on, but I should like to have the exact language.

Mr. HOWE: The agreement reads:

> The company will arrange to extend its program of maintenance of way and betterment work during the season of 1936 so as to provide employment on its line of railway for approximately 5,000 men in addition to those who would otherwise be engaged in such work during the said season.

Mr. FINN: How much goes to the Canadian Pacific Railway?

Mr. HOWE: Half of the amount, or $1,550,000.

Mr. FINN: I agree with many of the statements made by the leader of the reconstruction party (Mr. Stevens). It is quite true that that party is not very large, but while they did not succeed numerically, they sent the best brains in the party to the house. For that reason I compliment them. It seems to me that the leader of the reconstruction party is largely right and partly not wrong. He takes a view different from that which I take. I do not think this parliament or this country is under any obligation to the Canadian Pacific Railway to warrant our placing money directly in its hands. That railway is not poor; it never has been poor; it is rich in lands; it is rich in assets; in some directions it is rich in brains although to some extent the greatest brains are underneath the

ground. I am afraid that they are, shall I say, stooping to underground methods. What do we find when we read the annual report of the Canadian Pacific Railway? After applying $3,500,000 on the depreciation of their ocean steamships, which are under a separate corporation, the Canadian Pacific Ocean Steamships Limited, with a European manager who was recently knighted and who lives in London, they show profits of $1,348,526.

The CHAIRMAN: In my opinion the hon. member is out of order. The time will come when he can discuss the Canadian Pacific Railway, but I think such a discussion is out of order under this item.

Mr. FINN: As I said this afternoon, it seems to me that other hon. gentlemen are allowed a great deal of latitude, but I have to take the gun. My hon. friend opposite, the leader of the reconstruction party, has been longer in this house than I have; he knows the rules, and so do I, but when I speak I am the one who gets the gaff. I should like to know the reason why.

Mr. HEAPS: You are on the wrong side of the house.

Mr. FINN: If that is the reason, if I have to take the gaff, I shall take it.

Mr. MacNICOL: The hon. gentleman should move to the northeast corner.

Mr. FINN: The hon. gentleman will be lucky if he gets back into any corner after the next election.

Mr. MacNICOL: My hon. friend should apply that statement to himself. I am safe enough; I shall be back.

Mr. FINN: The hon. member may be back in Ottawa but not in the house. I do not desire to depart from the rules of the house.

Some hon. MEMBERS: Hear, hear.

Mr. FINN: If that is a compliment, I accept it; if it is not, I reject it. I can quite understand giving money to the Canadian National Railways because that would be just taking it out of one pocket and putting it into another. It is Canadian money and it would be going back to the Canadian people, but as my hon. friend said—I was going to say my right hon. friend, and perhaps some day he will be—when you take a similar amount and hand it over to the Canadian Pacific Railway, they relieve themselves first and relieve the reliever afterwards. I can see many many ways in which that money could be better employed. As I say, this company wrote off nearly $3,500,000 as depreciation on their steamships; they took that amount out of earnings and were still able to show a profit of $1,348,000. When they were asked why they did not declare a dividend they replied that they wanted some ready money. For what? It was not to be used in connection with anything in Canada; they wanted it in order to be ready to hand over to the Minneapolis, St. Paul and Sault Ste. Marie Railway.

An hon. MEMBER: Order.

Mr. FINN: Order, quite true. Furthermore, we have to deal with the facts. If they are not dealt with here, they will be dealt with under some other subject. There is no sound reason why, to use the words of the leader of the reconstruction party, we should subsidize the Canadian Pacific Railway in the manner indicated. The Canadian Pacific Railway is a private corporation; let it look after itself. The company's own statement shows what they have. Their ships are practically new. The Empress of Britain is just new, the Duchess boats practically new, the "M" boats are not yet in their prime, and the Beaver boats, 10,000 ton freighters, are absolutely new.

The CHAIRMAN: Order. I must ask the hon. gentleman to observe the ruling of the chair.

Mr. FINN: I respect your ruling, Mr. Chairman.

The CHAIRMAN: The hon. member must confine his remarks to the item under discussion. He is entirely out of order and I must ask him to observe the rules of the committee and see that his remarks bear entirely on the item under discussion.

Mr. FINN: The item we are dealing with is 419, which reads:

To provide for reimbursement to the Canadian Pacific Railway Company and to the Canadian National Railway Company, upon such terms and conditions as the governor in council may determine, of expenditures to be made by each of the said companies for:

(a) Labour in the employment of certain unemployment relief forces on special work in extension of the said companies' programs of maintenance of way and betterment works during the year 1936;

(b) Workmen's compensation liability relative to such labour;

(c) Certain allowances for transportation of such labour;

(d) Certain other expenditures for labour, material and overhead incurred by the railway companies if such expenditures are made during 1936 in preparation for or in completion of work expected to be performed by the unemployment relief forces but not performed because of shortage of unemployment relief forces, not exceeding in the aggregate, $3,100,000.

Now I wish to ask a question and not to make a statement, and in that respect I do not think I shall be infringing the rule. In discussing an item which has to do with expenditures on maintenance of way, and other purposes to be determined by the governor in council, is it or is it not competent for me or any other hon. member to turn to the sheet in the company's annual report in which this very question is dealt with, wherein they appropriate certain moneys themselves, and to compare their program with what we are to give them, in order to ascertain whether they need more or less than is being provided? If I am to make comparisons of this sort it is necessary for me to look at the Canadian Pacific Railway Company's annual report, which has come into my hands. If I am told, in discussing this item, that I may not refer to that report in urging the Minister of Railways to exercise the discretion that remains in the governor in council, by order in council, to do certain things; if I may not, in my own feeble and humble way, offer what I regard as sound reasons why perhaps the matter should be reconsidered, but am told that I am out of order, then I respect the ruling of the chair. I respect the hon. gentleman who is in the chair, the Deputy Speaker and Chairman of this committee, and I shall always be prepared to bow to his ruling. But I ask the chairman now whether I am out of order when I use this report to assist me in giving my reasons why some change should be made in this particular vote.

The CHAIRMAN: I have already given my ruling and the hon. member can appeal against it if he sees fit.

Mr. FINN: Since I have been in the parliament of Canada I have never taken exception to any ruling of the Speaker or of the Chairman and I do not propose to do so now. I accept the ruling and will confine my remarks strictly to the subject matter within the four corners of the item. But as we all pray before going to bed at night, if we pass away before morning, that He be merciful to us all as sinners; with the generosity of a Nova Scotian—and I see two of my Nova Scotia friends across the way—I leave it at that.

The Minister of Railways referred to squandering, and I think that is true. I was trying to find the cause, and I think I see it in the reconstruction act which is now up in the red chamber. As I see it, at the end of the season so much is paid to the men employed; whatever is due is paid in a lump sum, and that is to help to carry them over the winter. Now we all know that everybody has good intentions and we know the name of the place the way to which is paved with them, and the suggestion I have to offer is this, that the balance should be paid monthly or weekly and not in a lump sum. In a great many cases they might not intend it, but when the grey cold dawn of the morning after comes they will find they have nothing. They should be protected against themselves; their families should be protected. That is the only suggestion I make. If the balance due were distributed over the period of time during which the men might not be working, it would help their families. It might involve a little extra bookkeeping, but if it brought a little more happiness to the homes it might well be considered by the Minister of Railways. I know from my short acquaintance with him that his ability is outstanding and his kindness of heart is not excelled by any hon. gentleman's in this house. With that last word I shall not intrude again into the debate on this particular item.

Mr. HEAPS: Before this item is carried there is one matter to which I wish to refer. I have no objection to this item. When the Minister of Labour brought it in a few weeks ago as part of the government's scheme to close down the relief camps, I was heartily in favour of the proposal. I felt it was a good thing to try to liquidate these relief camps as soon as we possibly could. But as the Minister of Labour has said on several occasions during the past few weeks, we ought to take the long range view of this problem of unemployment, and I want to apply that principle for a moment or two to these particular items which are now before the committee. If I recall correctly what was stated to-night, the men are to be employed, not for six months as the minister has stated, but for four months in these camps. They will receive on an average approximately $275 each in the form of wages for four months' work in the camps; it may not be full time; it may be short time, but if the whole of the $3,100,000 were to be divided among ten thousand men it would be approximately $300 apiece. From that sum, however, must be deducted transportation, probably costs of construction of the camps, maybe one or two other items. Therefore I think, when it is all boiled down, the average amount of wages received will be in the neighbourhood of $275. Out of that sum the men will have to pay for, say four months' board. I do not know what that will amount to, but I have an idea that it will be about $1 a day. Add to that other expenses incidental to staying in one of those construction camps, and I venture

to assert that when the four months have gone the minimum expenditure of a man in the camps will have been about $175. In that event, when he leaves the camp he will probably have $100 at his disposal. At the time the camps close down the winter months will be upon us, and the first thing those young men will require will be a certain amount of winter clothing. When the individual has equipped himself in that respect he will be left with a comparatively small amount of money.

Now, taking that long range view which the Minister of Labour has suggested to the house and to this committee upon so many occasions during the past few weeks, I am wondering what will happen to these men who will be employed on construction work after they have left the camps with a small amount of money in their pockets. Has the government any considered policy based upon what may be expected to become of these men once they leave the camps? Do ministers suppose that if the men leave with $50, $75, or $100, that will be a solution of the unemployment question? That does not seem to me to be looking so very far ahead. We are now in the month of May. The men will soon be working in those construction camps if they are not doing so now. When September comes round they will have to leave those camps, and their natural course will be to drift to the larger industrial centres. In September or October very few will be available for any farm work, assuming that farm work can be found for them. Has the Minister of Railways or the Minister of Labour any plans in mind or any suggestions to make as to what will be the policy of the government once these relief works close down? In asking this question I am merely adopting that long range view of the situation which the minister himself urged should be taken.

Sir GEORGE PERLEY: I should like again to call attention to paragraph (d). As I understand the explanations made by the two ministers in discussing the bill, the agreement is intended by the government in the first instance to take care of single men from these relief camps, and if there are 10,000 of them they will be used for that purpose. The Minister of Labour said that there was nothing in the bill to prevent the government from using other unemployed if it should turn out that there were not 10,000 men available from the relief camps for this purpose. In view of their effort to close the camps there is a certain amount of justification, so far as the government is concerned, for this item in the estimates, but paragraph (d), it seems to me, should not be there. I do not think that, as has been explained by the two ministers, any part of this money should be used for anything but the payment of labour, wages to the relief camp men if they are available, or to others if there are not enough men from the relief camps. Why should the Canadian Pacific or the Canadian National Railways be paid for materials that are not used? Those materials will not be lost; they will be needed for other purposes. The expenditures made upon them by the railways will not be wasted if 10,000 men are not provided by the government; and on the minister's own explanation paragraph (d) should not be there. The purpose of this is to give work. All the money provided by the government should be used to pay wages. The railways should be perfectly willing to supply all the materials, and if by chance some of them should not be used this year they can be sold or used next year.



Mr. HOWE: This is what the lawyers call a saving clause. The Department of Justice has put—

Sir GEORGE PERLEY: Saving the railways.

Mr. HOWE: No, it is a saving to this government. The department has to be very careful that it does not get the government into difficulties. Without that clause we might be agreeing to supply the railways 10,000 men, and in this free country it might be difficult to do that. We have no power to order these men as we like. If my right hon. friend will look closely at this paragraph he will see that it provides for this payment only in the event of our not fulfilling our agreement to furnish 10,000 men, and if we ask the railways to make elaborate preparations to receive men who are not supplied, we simply compensate them for expenditures they made, due to our fault or failure to furnish men. Common sense assures us that we shall be able to furnish a substantial number of men and there will be no such costs involved to the railways as this paragraph contemplates.

Sir GEORGE PERLEY: If there are not sufficient men from the relief camps, are the government prepared to take other unemployed? They know 10,000 men can be provided, and I do not understand the object of this paragraph. If the Canadian Pacific buy ties which cannot be used this year because sufficient men are not supplied by the government, the ties are there, and they are worth the money; why should the government pay for them?

Mr. YOUNG: I should like to ask the minister whether there is any doubt that other labour will be employed provided sufficient men cannot be obtained from the camps. It seems to me there should be no doubt at all on that point. In every city in this country we have a large number of men who are not on relief owing only to the fact that they have such a pride that they would rather almost starve to death to keep off, and for their pride or patriotism they are being penalized under this legislation. To me that is the worst feature of it. Men who are not quite so patriotic, who more willingly went into the camps—and I know many of them are there against their will—are to be the first to get help, while these others, many of whom I know personally, who struggled to keep out of the camps, are not going to get employment under this provision. I would like to have assurance from the minister that if there is any chance of the number of unemployed men in the camps not being sufficient to supply the number required on the railways, these other men of whom I speak will be employed. I recognize that the purpose of the government is to do away with the unemployment camps, and that is the reason for taking these men first. I think we all agree with that, but I want to be assured that these other men of whom I have spoken will have an opportunity of employment. All the more should that be done because it appears that if we are not able to supply the 10,000 men we must give the companies the money which they are supposed to be out of pocket in preparing for the work to be done. I say "supposed to be" because I feel that there is not going to be very much preparation in advance for this work except such as will be useful later on. So if I can have from the minister the assurance that these men will be given work I shall be much better satisfied.

Mr. HOWE: I should be very glad indeed if it turned out that the government was unable to find ten thousand men in the camps for this work, a contingency which is contemplated in paragraph (d). Only a lawyer versed in technicalities would think of that, but I understand how a man who desired to ensure the protection of the government would foresee it. But I think I can assure my hon. friend that there will be no such difficulty.

Mr. YOUNG: My point is that if they are not in the camps—

Mr. HOWE: They will be furnished in some way.

Mr. WOODSWORTH: My colleague has raised a question which has not been answered, and which I think should be answered. We are to some extent handicapped in this committee on account of the way in which the votes are divided up. On an earlier estimate we asked a question of the Minister of Labour and he said that he could not answer because certain matters came under other departments. Now we have come to one of these other departments, the Department of Railways and Canals, and although we are dealing with the estimates of that department I take it that we are in reality dealing with the question of unemployment. The only reason we have an estimate of this kind is that of unemployment. Now for some days we have been discussing the general question, how to deal with the large numbers of unemployed men. Apparently the scheme for dealing with the men now in the camps is to put 10,000 of them to work on the railways and hope that the remainder will go on farms. We are dealing now with the provision for the 10,000. I think the minister who is in charge of this estimate cannot avoid looking at the larger question of unemployment, with which the item is supposed to deal. I need not go over the ground covered by my colleague the hon. member for Winnipeg North (Mr. Heaps). This estimate, as he points out, makes provision for the men for a few months. They work; they get wages; that is an improvement on the old camp arrangement. But remember that the railways, including the Canadian Pacific, a privately owned road, get the dole. The railways get relief, their portion of the $3,100,000. And they take no chances whatever, they are protected fully, even against the possibility of loss. The men are employed for the time they can be used; they give something in return for their wages; they give something in return to the public road in one case and in the other to the private corporation. Now, what is going to happen when they have done this four months' work? There is adequate provision that the railways may suffer no loss, but have we any way of providing for the men at the end of the four months? What does the government propose to do? Are these men to be turned out when the winter comes, as the contractors in the west used to turn out the horses, to forage for themselves? In that case, with the dismantling of the camps, the situation will be worse than ever. I think my colleague is quite within his rights in asking a question which relates to an essential feature in the whole scheme,

whether any provision is to be made for the men at the conclusion of the four or five months' work. That is a reasonable question on which we should have some information from the minister.

Mr. HOWE: It is scarcely possible for a minister or anyone else to chart the future course of 10,000 individual men. The difficulty of the men in the camps—they have expressed it frequently in the public press and otherwise—is that in the camps their prospect is hopeless. They have no opportunity of securing employment and they receive no money. Now we are finding them employment; surely that is the first step towards rehabilitation. A great deal of concern has been shown here as to why these men should be picked out for this preferment as against other men. At any rate they are being provided with work, ordinary work that ordinary men can perform and live by. My hon. friend lives in a country where employment is seasonal and he knows that a great many men never do anything but this seasonal work, and in spite of that some of them raise families; yet these are all single men. I am confident that these men are similar to other men, who follow seasonal work and are never sure of employment for longer than a four or five month period, because construction work is always seasonal. I know that many men have done well in that class of work. We are starting these men in such work. Some may fail. My hon. friend is acquainted with the machinery for looking after the unemployed in this country; they are not going to be allowed to starve. We are placing these men's feet on the ladder of employment; we believe they will do as other men following the construction industries; when one project is completed they will find other employment. In other words we are establishing these men in employment for a period at least.

Mr. WOODSWORTH: Then the minister has no plan for continuing employment for the four months?

Sir EUGENE FISET: Have you?

Mr. HOWE: Has my hon. friend?

Mr. WOODSWORTH: No, we have not power, but this government went into power on the express understanding that they were to deal with this matter. Apparently they are dealing with it by exactly the same methods as employed by the late government, except they are trying to do it on a little cheaper scale. If anyone is to be helped by this arrangement is is the railways.

[Mr. Woodsworth.]

Sir EUGENE FISET: And the men.

Mr. WOODSWORTH: The railways are being protected against any possible risk. It is all very well to say that these men are having their feet set on the ladder, but are we going to kick away the ladder just when it is set up? Does the minister really believe that in four months, at the rate of pay proposed, these men can save enough to see them through the winter? I do not think he can really believe that. With the whole unemployment situation as it is—and a lot of us know about seasonal unemployment in the west—what are these men going to do when October comes, with no provision whatever made? Surely, if this is the government's plan, or an important part of their plan to deal with unemployment, they ought to be able to see things through a little further than four months.

Mr. FINN: I should like to ask the Minister of Railways a question. No doubt he believes in equity, yet I find the amount of money being paid the Canadian Pacific Railway is the same as is being paid to the Canadian National Railways, although the latter named system has a mileage of 24,000 as against only 17,000 miles of the former. Therefore there is a difference of 7,000 miles. Why should not these moneys be apportioned according to mileage, so that each railway would get its fair share, and the Canadian Pacific Railway would not get the unearned increment.

Item agreed to.

Amount to be applied by the Board of Railway Commissioners for Canada towards the cost of actual construction work for the protection, safety, and convenience of the public in respect of highway grade crossings of railways, as the governor in council may from time to time determine, $1,000,000.

Sir GEORGE PERLEY: Has the minister any particular schemes in view for the expenditure of this money, or will he simply pass it on to the board of railway commissioners? As I remember it, the Minister of Railways recommends the points at which this work is to be done. Is that the procedure?

Mr. HOWE: My understanding is that application may be made by any one to the board of railway commissioners.

Sir GEORGE PERLEY: Directly?

Mr. HOWE: Yes, either by the railways or by persons. The board of railway commissioners examine the situation, and if they

approve the work they make application to the Department of Railways and Canals for the expenditure. The million dollar fund will be administered entirely by the board of railway commissioners.

Sir GEORGE PERLEY: The Minister of Railways has to give his approval before any of these schemes is put into effect, does he not?

Mr. HOWE: Recommendation is made to council by the Minister of Railways.

Sir GEORGE PERLEY: The board of railway commissioners consider the application. If the minister receives one in the first instance he passes it on to the board; it is considered by them; inspection is made on the spot, and if they think the work may be done properly under this vote the recommendation will come back to the minister who has it in his power or discretion either to ask for an order in council approving, or to let the matter drop.

Mr. HOWE: I assume that is correct, although as a matter of fact, if a recommendation is made by the board, it is passed on automatically.

Sir GEORGE PERLEY: The minister has discretion which is not often used; is that correct?

Mr. HOWE: Yes.

Mr. REID: Before the item is carried there are one or two figures I should like to lay before the minister. I do this in an endeavour to show where we are drifting in connection with money spent in the elimination of crossings. I do not know whether hon. members are aware that in the past twenty years, out of a total of 31,784 crossings only 1,252 have been protected, leaving 30,532 unprotected crossings. In that time the total amount of money spent in Canada on crossings has been $36,000,000. My reason for presenting these figures to the minister is that I am endeavouring to point out where we are drifting, and I am asking if we are spending the money to the best advantage. A few years back the system was changed by the railway companies, at which time they displaced workmen by eliminating the watchmen and taking away barriers, instituting a new system known as the wigwag signal. May I point out to the minister that the installation of the new system costs about $5,000, an amount equal to a watchman's pay for eight or ten years. The strange point is that the change has not protected the lives of the people, at all. As a matter of fact deaths and accidents have increased since the elimination of the watchmen and barriers and the installation of the so-called new system. I for one would like to know who receives the royalty on these installations, and possibly the minister could find out why the Canadian National Railways are charged more than the Canadian Pacific Railway for the installation. This is a serious matter. It is true that a bill has been introduced by a private member. I do not know whether it will bring about the desired result, but I know that after looking through the report of the board of railway commissioners I have come to the conclusion that never in the lifetime of any member of this house, nor in the time of any generation yet born will we eliminate railway crossings in Canada if we proceed at our present rate, unless we pull up the tracks.

The information in the publication by the board of railway commissioners shows that crossings are increasing rather than decreasing and yet we have spent only $36,000,000 in twenty-five years, and are spending only $1,000,000 at this time. We are satisfied with saying: Oh well, by spending a million dollars we are doing something to protect life and limb at railway crossings. The matter has only been scratched. I listened attentively to the observations of the hon. member for East Kootenay when he stated that $5,000,000 would not be sufficient to eliminate the great number of unprotected crossings. We must protect those crossings, if we are going to do the job properly. I would ask the minister to investigate the matter carefully. I believe we would do well to replace the barriers on our highways. It is true that most provinces have regulations stipulating that buses must stop at crossings, but I do not believe we will ever pass laws compelling every motor car to stop before attempting to cross. We may do that, but I have my doubts.

It is my view that the whole matter should be given careful consideration. When one considers the number of accidents which have taken place he is at once aware of the serious nature of the problem. In 1935 there were 242 accidents, in which 114 persons were killed and 304 injured. That is not a complete total of the injured people, because all the figures are not given by the board; only serious accidents and deaths are reported to them. If one examines the figures available for the period between 1915 and 1932 he will find that crossings protected by gates showed a death ratio of fourteen per thousand as against thirty-eight per thousand protected by the modern method.

As I have pointed out, crossings are increasing in number, and deaths are increasing. Yet

we are spending these large sums of money. I know the minister is anxious to have the item passed, and I shall not hold it up, but I thought it was my duty at least to show him that the matter is far more serious than has been hitherto indicated.

Mr. LENNARD: Do I understand that none of this money will be used for the elimination of level crossings?

Mr. HOWE: The whole sum will be used for that purpose. The board of railway commissioners will have the disposition of it, and I understand practically all of it will be for the elimination of level crossings.

Mr. LENNARD: I am familiar with crossings along trunk roads in Ontario, and I know that those crossings have been death traps for years. It is indicated in the vote that "the governor in council may from time to time determine." He is taking a mighty long time to arrive at his determination. I agree with the hon. members for Kootenay East and New Westminster in their statement that the amount should be augmented ten or fifteen times. We should speed up the work of removing level crossings and death traps in Canada.

Mr. STEVENS: May I add a word to my earlier observations. It must be obvious to hon. members that this vote does not represent a serious attempt to face the question of the elimination of level crossings. In the first place it is applicable only to places where applications are made and where local authorities are prepared to shoulder their share of the cost. The minister will correct me if I am wrong when I state that under the law the municipality, or the applicant, must pay one-third, the railway must pay one-third and the balance comes out of this provision. Some division of that kind is made, I believe. I may not be quite correct, but there is a division. It is obvious that it will be only certain municipalities or cities that will make application. As the hon. member said a moment ago there are within fifty miles of this city crossings that anyone who drives a motor knows to be veritable death traps, but the local municipality is either unwilling or unable to make application with respect to them, and so the death trap continues to exist. There is no impelling force to induce any authority to take hold of the situation, and so it just stays as it is, and that is all there is to it.

This is a great national problem. Canada ought to be ashamed of its highways in relation to grade crossings. My hon. friend said that $36,000,000 has been spent in twenty-

[Mr. Reid.]

five years, but he must remember that those tremendously expensive crossings in Montreal and at the station in Toronto come under this grade separation fund, and I imagine that the major portion of that $36,000,000 has been used in the great cities, which does not touch at all the situation we have described as it exists throughout the country. I am sorry that the minister and the government seem to resent suggestions of this kind. It is a vital matter. In the first place there is a tremendous need for employment, and this is a case where provision can be made not only for employment but for the elimination of one of the greatest outstanding, shall I say, national dangers.

When I said $5,000,000 I think I put the amount very low. I would suggest that the minister and the government consider increasing this expenditure by an additional sum, though perhaps not in this estimate, because I know a great many members of this house are very much in earnest about this particular problem. Members, particularly those supporting the government, do not like to embarrass it, but I want to say to the minister and the government that these are constructive and useful suggestions which catch the ear of the people of this country who understand the situation, and they are willing to support any government which will take the necessary measures. It is not a political question; it is not a question affecting any section; it is a national question. This is a great opportunity to meet a great national need. I urge upon the minister once again to consider a definite policy apart altogether from the present statute, which, although it may operate all right in normal times, is restrictive, and seriously to consider a forward movement and the establishment of a national policy in this matter.

Mr. MASSEY: I speak as a prejudiced witness, which I admit very frankly, in view of the fact that there are in my riding, which is the municipal riding of the east part of Toronto, three grade crossings, not only exceedingly dangerous but also very important from the point of view of the amount of traffic that is compelled to pass over them. For many years the question has been discussed and rediscussed of the possibility of changing these grade crossings into subways or otherwise, and if my hon. friend from Broadview (Mr. Church) and my hon. friend from Davenport (Mr. MacNicol) were here they would bear me out in what I have to say.

I would ask the minister if this vote that we are asked to pass to-night may be regarded

as simply the first vote along the lines suggested to him by those who have spoken during the last few minutes. One could say a great deal under this item on the necessity of such work as is here contemplated being done on a wide national scale, and I earnestly urge upon the minister that not only in municipalities but throughout the country, on the highways and byways, there is much work of this kind that needs to be done in the interests not only of safety but of subdividing traffic, which is something very much to be desired. I would ask the minister if this may be regarded as simply the first vote along these lines.

Mr. HOWE: This vote is supplementary to the ordinary grade crossing vote, which as we all know is a statutory grant towards the removal of grade crossings. This, in the opinion of the railway commissioners, will cover the government's share of the applications which are made to the board and of which the board approves. If more money is needed I think the government will be glad to consider a larger grant next year.

Item agreed to.

To provide for repairs and improvements to the canals, harbours, and elevators maintained and operated by the Department of Railways and Canals, $167,600.

Sir GEORGE PERLEY: This seems to be quite in order, but why should this item not appear in the ordinary estimates? Why is it in the special supplementaries?

Mr. HOWE: This amount is for work that could be done this year or could be deferred. While the work is necessary, it is not necessary in the immediate year. The item has been put in because the work covers a series of small projects that will employ considerable labour rather widely distributed.

Item agreed to.

Deficit of Canadian National Railway Company

Amount not exceeding $39,900,000 to be paid from time to time, under such conditions as the Minister of Finance may prescribe, to the Canadian National Railway Company (hereinafter called "the national company") and to be applied by the national company in payment of the net income deficits arising in the calendar year 1936, including such supplementary contribution to the Intercolonial and Prince Erward Island Railways, employees' provident fund as may be necessary to provide for payment in full of monthly allowances under the provisions of the Intercolonial and Prince Edward Island Railways Employees' Provident Fund Act, notwithstanding the limitation contained in section four of the said act, and including such supplementary contribution to the Grand Trunk Railway of Canada superannuation and provident fund as may be necessary to enable payment to be made of monthly allowances under the rules and regulations of the fund, notwithstanding the limitation contained in section thirteen of chapter sixty-five of the Statutes of Canada 1874, and including profit and loss but not including non-cash items and interest on dominion government advances, of the national company or of any other or others of the companies comprised in the Canadian National Railways (as defined in chap. 10 of the Statutes of Canada, 1929), or any company controlled by stock ownership or otherwise by any company comprised in the Canadian National Railways or by the national company in respect of any of the Canadian government railways entrusted to the national company, $39,900,000.

Sir GEORGE PERLEY: Perhaps I am not thoroughly conversant with the matter, but is not this item the same as is covered by a bill which is now before the house?

Mr. HOWE: The same item is covered by a resolution of the Minister of Finance, yes.

Sir GEORGE PERLEY: I think this item should stand. Is it to go to the special committee?

Mr. DUNNING: It has been to the special committee and was reported back to the house. I think the chairman of the special committee is present.

Sir EUGENE FISET: The committee reported to the house on April 30, approving this resolution.

Sir GEORGE PERLEY: That is what I thought, but it seems to me that the item should stand until the bill has been passed. I am unable to see quite why there should be both a bill and an estimate. There are so many of these things coming along just now that I find it a little difficult to follow them. I always thought that a vote in a bill was sufficient without an estimate. But here we have an estimate and we also have a bill by the Minister of Finance dealing with the matter. I would like to have my leader here to discuss it, and I would suggest that it stand in the meantime, and come up again perhaps to-morrow.

Mr. DUNNING: The bill of the Minister of Finance based upon the resolution which I introduced the other day is still on the order paper, the debate on the second reading having been adjourned. That bill was to provide entirely for the capital expenditures of the railway, not for the deficit. The capital expenditures embodied in that measure amount to $9,959,000, which requires to be voted in a measure of that kind. The estimate before

the committee now is for the deficit only, and is not contained within the four corners of the bill to which my right hon. friend has just referred. I can assure him that the procedure is quite regular, to vote this after it has been examined by the special committee and reported upon.

Sir GEORGE PERLEY: I understand the explanation given that there is both a resolution and estimates, but it is an entirely new departure to have beforehand an estimate for a deficit. How does the minister know there will be no further deficit? Why does he not wait until the end of the year? Why change the system that has always been in vogue and ask for an estimate beforehand? There is danger in doing so because there will be an urge on the part of the railway authorities to have a deficit as large as the estimate. Human nature is the same all over the world, and I say to the minister that it is dangerous to ask parliament to provide beforehand a large sum of money for a deficit. At any rate, it is something new and I ask the minister to let this item stand as the leader of the opposition (Mr. Bennett) would like to say a few words on the subject.

Mr. DUNNING: I shall not oppose the request of the right hon. member for Argenteuil (Sir George Perley) to defer consideration of this item in order that his leader may make some further remarks upon it. With reference to his last remark I would point out that even though no advance estimate was voted by parliament in previous years for Canadian National deficits, that did not absolve the Minister of Finance of the day from the necessity of endeavouring to forecast for his own budget purposes the amount necessary to take care of the Canadian National during the year. If the result feared by my right hon. friend had any real basis, it should have occurred ere this. In each of the last few years the Minister of Finance in presenting his budget has been compelled to make provision for a sum which could be known and was known to the Canadian National officials.

Sir GEORGE PERLEY: But not voted.

Mr. DUNNING: But not voted by the house. I can remember years ago when I was Minister of Railways and Canals that complaints were made in the special committee on railways that we were voting something which was relatively meaningless because the money had been spent anyway. I believe that nearly all hon. members who have had experience on that special committee will bear out what I say. By dealing with the matter in this way, it is possible to cross-examine the officials of the railway regarding their intended expenditures. In other words, they are put on the spot in exactly the same manner as the members of this committee put each minister on the spot with reference to the expenditures he intends to undertake. That is the whole principle involved in the change. While I appreciate that there may be something in the contention of my right hon. friend, after close examination of the whole matter I am convinced that by and large the balance of good will be on the side of this procedure rather than on the side of the former. It will give the committee examining in advance the expenditures contemplated the ability to ask: Is this wise? Should this be done this year? The operating officials will find it necessary to give reasons for contemplated expenditures rather than reasons for expenditures which have been made.

Mr. STEVENS: I have not been a member of that committee for a number of years, but I am under the impression that it has been the practice of the committee not only to examine the statements of the past year which were brought down, but also to receive from the officers of the railway estimates of their expenditures during the current year.

Sir EUGENE FISET: I was chairman of that committee in 1927, 1928 and 1929 and I can remember that we had a discussion while my hon. friend was a member of the committee as to the advisability of examining any arrears in connection with the expenses of the Canadian National. The opinion was expressed that an estimate should be submitted to the committee. I have taken the trouble to look over the records of the past and I found that opinion expressed by my hon. friend, by other members of the committee and by myself. For the first time in the history of the Canadian National Railways, the officials are being asked this year to submit a detailed budget of their future estimates, upon which is based the estimate at present being presented to the committee. It was only because we had before us complete details of the proposed vote of $39,000,000, as included in these estimates, that the committee agreed to let them go through after full examination.

Mr. STEVENS: I agree entirely with the procedure of bringing before the committee an estimate of future expenditures. I think I recollect that when I was a member of that committee some years ago we discussed the matter and I believe the stand I took then

was as indicated by the hon. gentleman. I am not taking any great objection to this procedure, but I say to the Minister of Finance that it does not follow that it is necessary to vote an anticipated deficit in the current year. The deficit is not incurred until December 31. In the past the railway was always able to finance on short term loans for the accumulating deficit, and then at the end of the year when the full deficit was known they came to parliament and parliament usually voted it fairly early.

Sir EUGENE FISET: The practice in the last three years has been just what the Minister of Finance is doing this year by resolution. A resolution was passed upon which a bill was based authorizing the railway to float loans in advance. In this instance there are only two special cases, amounting to $9,000,000, which are not provided in these estimates and which are to be submitted to the committee. They are to be covered by a resolution introduced by the Minister of Finance and upon which resolution a bill will be based. These special cases were dealt with in the budget submitted to the members of the committee for examination by the railway staff. My hon. friend will realize the great help it is to the members of the committee to have before them detailed estimates with which they can deal intelligently. They will know the specific amount to be provided for, just as is known in connection with every other branch of the administration.

Sir GEORGE PERLEY: There are other things I could say to-night, but if the minister is willing, I should like to have this item stand.

Mr. DUNNING: All right.

Mr. HOWE: I have no objection to its standing, but I must say that it is only a slight departure from the program of last year. Last year the resolution introduced by the Minister of Finance provided for capital expenditures and advances by the Minister of Finance to the railway up to a certain amount. The only difference this year is that we are substituting a definite vote for the provision for advances. If the right hon. member wishes the item to stand, it may.

Item stands.

Loans and Investments

To provide for advances by way of loans to the Canadian Pacific Railway Company and to the Canadian National Railway Company with interest at a rate to be fixed by the governor in council and upon such terms and conditions as the governor in council may determine of expenditures for wages to be paid by each of the said companies (other than wages to be reimbursed to the said companies as provided for in vote No. 419) to employees engaged in special works in extension of the said companies' programs of maintenance of way and betterment works during the year 1936, and certain transportation allowances in respect of movements of the unemployment relief forces from point to point during the progress of the special works, not exceeding in the aggregate, $1,109,400.

Sir GEORGE PERLEY: I think the minister has already given an explanation of this. He is proposing to advance to the companies this amount of money in order to provide them with funds to meet the expenditures which it will be necessary for them to make for the purposes of utilizing the labour provided by the government under item 419; is that right?

Mr. HOWE: That is correct, about one third of their expenditure, their expenditure for labour in that connection. In addition they will have expenditures for materials and equipment which they will include in their usual budget.

Sir GEORGE PERLEY: By way of loan.

Mr. HOWE: This item is by way of loan.

Mr. WOODSWORTH: The chairman of the railway committee told us that the Canadian National had given an estimate of the amount which would be required. Why was not this amount put into that estimate and included in the sum we have just considered? Why this separate item for the Canadian National Railways?

Mr. HOWE: The budget of the Canadian National Railways had been submitted to the government and the budget of the Canadian Pacific had been submitted to that company's shareholders before we made this request to the railways to use this additional labour. I may say that the making of a railway budget is about as complicated as the preparation of the budget presented by the Minister of Finance; it is not done in a moment.

Mr. WOODSWORTH: But it seems to me that the Canadian National Railways ought to be dealt with as a unit. We have just had under consideration an item which has been allowed to stand, which it seems to me ought to include the total amount to be spent by these railways. I cannot see why we should have another item to put in later on. If we are to make a favourite of the Canadian Pacific Railway and make loans to that company without requiring interest for a certain period, then I say that we should let the Canadian Pacific Railway stand on its own feet as an independent entity. But let us keep the Canadian National Railways

by itself as a government owned road. Let the Canadian National make its own estimate and put that in as one united estimate covering the whole of the Canadian National Railways. That would be a reasonable way of dealing with the matter, instead of introducing subsequent votes involving loans without interest. I should like to know why that could not be done in this case.

Mr. HOWE: This is an accommodation loan to enable the companies to do the work and not to charge it to their budget in the ordinary way. They are not in a position to spend for maintenance in one year all the money which would be involved, and there is an appropriation for maintenance of a million and a half in the case of each railway. We are lending them the money so that they can absorb the item gradually without disturbing the budget for this particular year. It is not at all a loan without interest; it is with interest.

Mr. WOODSWORTH: For a time, I said.

Mr. HOWE: Interest starts from the day the money is borrowed. The loan in the case of the Canadian Pacific Railway will undoubtedly be paid when due, and as regards the Canadian National, if they are not able to pay the loan, it will be absorbed into the deficit of the year in which the loan falls due.

Mr. LAWSON: Despite the minister's explanation I still cannot understand one phase of the matter. Under item 419 which we have already passed, paragraph (c) provides for certain allowances for transportation of labour, that is labour which the government really expects to supply. When we get to item 427 we find that it contains two clauses. Apparently it is to provide for two things: First, for advances by way of loans to the railways, and, second, certain transportation allowances in respect of movements of unemployment relief forces from point to point during the progress of the work. Is one not a duplicate of the other? If not, what is the distinction?

Mr. HOWE: The first item we voted a little while ago is for the actual wages of the men at the site of the work. This item provides for the labour that will be required to supervise the men, and for the cost of transporting them from one locality to another. Naturally men engaged in maintenance of way cover considerable distances and this provides for the cost of moving them.

Mr. LAWSON: Am I to take it then that the latter class to which the minister refers comprises employees of the railway companies?

[Mr. Woodsworth.]

Mr. HOWE: Yes, experienced employees.

Mr. LAWSON: Apparently we are agreeing by item 419 to pay the wages of unemployment relief labour, and also to pay the cost of transportation from one point to another, and under these items we will loan the railways money with which to pay the cost of transporting their own experienced employees and to supervise the work to be done by relief labour.

Mr. HOWE: That is correct.

Mr. LAWSON: Then the only comment I have to make is this: I by no means agree with all that has been said about these measures being a matter of subsidy for the railways, but I cannot refrain from saying that during the last election those most active in heckling me from the public platform were Liberals who howled to high heaven about the fact that the government of which I was a member had made loans to the Canadian Pacific Railway to enable them to give additional employment in their shops, every dollar of which loans I am informed has since been paid back. I want to make it clear that this government is doing the very thing for which we were so roundly condemned.

Mr. MacNICOL: Does the minister say that the railways will be paid for transporting their own men? They travel free at all times now. Why should the government undertake to pay them? I should like to know why the fares of railway men are to be paid when railway men now travel free.

Mr. HOWE: I suppose it costs some money to transport men, whether they travel free or not. People do not exactly travel free; someone has to pay for moving them, I take it.

Mr. MacNICOL: It seems to me that this is going too far. In Washington they talk about pork barrels, but this whole matter begins to look more or less like a pork barrel. I cannot see any reason why this country should pay the railways for transporting their own men whom they now transport free. If they have certain employees moving from one job to another to-day they carry them free. This country, in the present state of affairs, desires to have every dollar find its way into the pockets of the men who are to be employed in this work; it wishes to give every unemployed man a chance to earn every dollar he can. But here we are proposing to pay the railways for transporting their own men. They would transport them free if they were transporting them to an employment job.

Mr. HOWE: I should explain to hon. members who, evidently, live in cities that these men on maintenance of way work live in cars; they sleep there and eat there; and as the work progresses these cars have to be moved, and the men in them. This procedure involves certain cost. An engine has to be brought out and hooked on to these boarding cars, in order that they may be moved to a place which is suitable as a camp for these men. That is the purpose for which we are lending the railways the money. It is a real expense to the railroads, and we are loaning the money, not giving it to them; they will pay it back.

Mr. BEAUBIER: It is customary for employees on a railroad who are maintenance of way men to be transferred from point to point free of charge, as they are passed from one location to another. Do I understand that there will be a deduction from the men's pay for transportation; that that will be a charge against the men?

Mr. HOWE: No, it is a cost to the railway. Of course the railway moves these men; it costs the men nothing when they are employed. The place in which they live is moved somewhere else, and they move with it.

Mr. WOODSWORTH: Will the minister give us some idea of the rate of interest to be paid and when payment is to be made? I see that all this is left to the governor in council. Surely this committee has a right to know, if the government is to be banker to the Canadian Pacific Railway, what rate of interest the railway is going to pay for this accommodation.

Mr. HOWE: The arrangement with the Canadian Pacific Railway was that this loan should be a short term accommodation loan and that the rate should approximate what the government pays for short term money, that is, the cost to the government of a loan for an equivalent period. It was left to the Minister of Finance to determine what that rate would be, and I do not think it has yet been decided. I assume that it will be around three, or three and a half per cent.

Mr. WOODSWORTH: For how long is this loan to be made?

Mr. HOWE: It is payable annually over five years in equal instalments.

Mr. STEWART: Is it the intention of the minister that unemployed men shall be engaged in this work? Is it an unemployment relief scheme?

Mr. HOWE: This is to cover the railroads' supervision for using the unemployed for whom we voted the $3,100,000 item a while ago.

Mr. COLDWELL: To return for a moment to the question of interest. It strikes me that the railway company is getting a rate which is not accorded to any other group of employers or industrialists in the country. If the government is going into the banking business, giving loans at three or three and a half per cent to the railways, it would seem only right and just that the farm loan board, for example, should reduce its interest rates to farmers who are borrowing money and who are another type of employer, of course in a smaller way, but nevertheless, in the aggregate, larger employers than even the railway itself. I think this principle is all wrong. I think also the discussion to-night has brought out in relation to this agreement a number of points which cannot be defended in the light of what other people are doing in the country. Although I am in favour of finding employment for the men, I am not in favour of these heavy subsidies to the railway companies, and I believe that resolutions which have already been passed, to my own knowledge, by farmers' organizations asking for the same treatment as the Canadian Pacific Railway is getting, are fully justified by the discussion that we have had in this chamber to-night.

Item agreed to.

To provide for commitments incurred under the authority of section 9, Supplementary Public Works Construction Act, 1935, and that the governor in council may authorize the Minister of Finance to sell or lease the railway equipment so acquired to either or both the Canadian National Railway Company and the Canadian Pacific Railway Company under agreements whereby the railway company or railway companies shall reimburse His Majesty the full amount of the cost of the said equipment with interest except in respect of the first and second years covered by the agreement at a rate to be fixed by the governor in council and that such agreements shall provide that security be furnished to secure and indemnify His Majesty in respect of the debt due to His Majesty, $5,303,000.

Mr. STEVENS: Will the minister explain what this item refers to?

Mr. HOWE: It is entirely a revote of loans which were begun in 1935 as an employment measure, and which were repayable as the equipment was put into use. This is the balance of the moneys that will be expended for this purpose this year. Of course this money is on loan to the railway companies.

Sir GEORGE PERLEY: Will the minister give us some details of the amounts and the dates? These arrangements were made at various times, I take it?

Mr. HOWE: Yes.

Sir GEORGE PERLEY: And both railways have them? The minister must have some statement giving the details and the dates on which these arrangements were made, and the amounts in each case.

Mr. HOWE: This was work authorized under the 1935 Supplementary Public Works Construction Act. This equipment was to be built and sold to railways on an equipment rental basis. It includes: Canadian Car and Foundry Company, 80 sand cars; expenditure last year, $269,566.40; required this year, nothing. Canadian Car and Foundry Company, 250 automobile cars; expenditure last year, $903,015; required this year, nothing. Eastern Car Company Limited, 200 refrigerator cars; expenditure last year, $900,793.60; required this year, $244,006.40. Eastern Car Company Limited, 250 gondola cars; expenditure last year, $834,657.25; required this year, nothing. National Steel Car Corporation Limited, 8 snow ploughs; expenditure last year, $75,457.44; required this year, nothing. National Steel Car Corporation Limited, 150 automobile cars; expenditure last year, nothing; required this year, $552,525. Canadian National Railway Company, 250 refrigerator cars; expended last year, $901,000; required this year, $424,000. Montreal Locomotive Works Limited, five locomotives; expended last year, nothing; required this year, $609,500. Montreal Locomotive Works Limited, five locomotives; expended last year, nothing; required this year, $556,500. Canadian Locomotive Company, Limited, five locomotives; expended last year, nothing; required this year, $492,900. Contingencies this year, $36,078.91.

Sir GEORGE PERLEY: Is that all?

Mr. HOWE: That is the Canadian National loans. Then the Canadian Pacific Railway have some: Montreal Locomotive Works, five locomotives; expended last year, nothing; required this year, $570,600. Stone, Franklin Company of Canada Limited, one electric locomotive; expenditure last year, nothing; required this year $89,500. National Steel Car Corporation Limited, four steel baggage and buffet coach frames; expended last year, nothing; required this year, $72,151.64. National Steel Car Corporation Limited, four steel mail and express cars; expenditure last year, nothing; required this year $148,559.04. National Steel Car Corporation Limited, eight steel coach frames; expended last year, nothing; required this year, $140,063.28. National Steel Car Corporation Limited, one hundred hopper cars; expended last year, $345,551; required this year, nothing. National Steel Car Corporation Limited, 170 gondola cars; expenditure last year, $728,019.80; required this year, nothing. Canadian Car and Foundry Company Limited, 700 box cars; required last year, $1,425,116.24; required this year, $996,197.76. National Steel Car Corporation Limited, 150 refrigerator cars; expenditure last year, $860,524.50; required this year, nothing. Canadian Pacific Railway Company, completion of baggage and buffet cars, mail and express cars, and coaches, required last year, nothing; required this year, $353,716.64. All these contracts were made between August 26 and October 30, 1935.

Sir GEORGE PERLEY: Do they all add up to this $5,303,000? That is simply to take care of commitments already made?

Mr. HOWE: Yes, that is commitments payable this year. These commitments were payable in certain years, and the amount payable this year is $5,302,706.02.

Progress reported.

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

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## Tuesday, May 5, 1936

The house met at three o'clock.

### MISCELLANEOUS PRIVATE BILLS

Second report of the standing committee on miscellaneous private bills.—Mr. McPhee.

### STANDING COMMITTEES

#### CHANGES OF PERSONNEL

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

That the name of Mr. Kirk be substituted for that of Mr. Duff on the standing committees on privileges and elections and banking and commerce; and that the name of Mr. Cameron (Cape Breton North-Victoria), be substituted for that of Mr. Duff on the standing committee on marine and fisheries.

Motion agreed to.

### PRIVATE BILLS

#### REFERENCE OF CERTAIN PETITIONS TO COMMITTEE ON STANDING ORDERS

Mr. S. W. JACOBS (Cartier) moved:

That the petitions for private bills listed below, together with the reports of the clerk

of petitions thereon, be referred to the standing committee on standing orders for the purpose of considering the suspension of standing orders 92 and 93 (3) (a) and (c) in relation thereto:—

No. 49—Madeleine St. Clair Peacock Milroy (divorce).
No. 50—Mildred Eileen Champion Webster (divorce).
No. 51—Howard Murray and others, to incorporate Quebec and Montmorency Railway Company.
No. 52—Lillian Gladys Cheney Perry (divorce).
No. 53—Edith Astroff Nevitt (divorce).
No. 54—Edythe Mary Ross Brown (divorce).
No. 55—George Marcoux (divorce).

Motion agreed to.

## COPYRIGHT AGREEMENT

ARRANGEMENT BETWEEN CANADA AND THE UNITED STATES EFFECTIVE DECEMBER 1923.

On the orders of the day:

Hon. FERNAND RINFRET (Secretary of State): Mr. Speaker, yesterday the hon. member for St. Lawrence-St. George (Mr. Cahan) asked the Prime Minister (Mr. Mackenzie King) to lay on the table copy of an agreement respecting copyright entered into between Canada and the United States in December, 1923. I may say in reply that the extract from the Canada Gazette of December 29, 1923, reproducing the order made by the Minister of Trade and Commerce of Canada, in whose department copyright and patents then were, under subsection 2 of section 4 of the Copyright Act of 1921 is published as an appendix to the report of the commissioner of patents for the fiscal year ended March 31, 1924.

The proclamation issued by the President of the United States under date of December 27, 1923, is also published as an appendix to the same report. That report was laid on the table of the House of Commons on February 9, 1925.

It will be observed that the arrangement between the government of Canada and the government of the United States was not the subject of a treaty or agreement expressed in a formal document, but was effected by action, under statutory authority, by the Minister of Trade and Commerce of Canada and by the President of the United States.

For the convenience of the hon. gentleman and other members of the house I now beg to lay on the table three copies of that agreement.

## PUBLIC WORKS CONSTRUCTION ACTS

On the orders of the day:

Hon. CHARLES A. DUNNING (Minister of Finance): Mr. Speaker, the right hon. leader of the opposition (Mr. Bennett) asked me, yesterday I think it was, with regard to a statement of moneys expended under the authority of the Public Works Construction Act. I find that I tabled the statement on Monday, February 10 last.

Mr. BENNETT: Oh, that was the statement? I thought it had to be after the end of the year.

Hon. H. A. STEWART (Leeds): On February 20 an order of the house was made for a return covering certain information in connection with the Public Works Construction Act of 1934 and the similar act of 1935. The return has not yet been brought down and I should like to ask the Secretary of State to see if he can expedite it.

Hon. FERNAND RINFRET (Secretary of State): Mr. Speaker, the return is still with the Public Works department. I will undertake to see the minister and have it brought down as soon as possible.

Mr. STEWART: Thank you.

## THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Friday, May 1, consideration of the motion of Hon. Charles A. Dunning (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I desire to congratulate heartily the Minister of Finance (Mr. Dunning) upon both his arrangement and his presentation of the budget on Friday last. In my opinion it was highly creditable alike to the minister and to the officials of the Department of Finance, and I am bound to say, if he will permit me, that he read a very long document with very great distinctness so that everyone in the house could hear what he was saying.

I should like also to congratulate him upon having delivered a budget speech. For the first time in recent years at least, we have had a budget delivered by a member of the Liberal party; for his predecessor in office prior to May, 1930, did not deliver a budget for the succeeding year, and the now Minister of Finance in May, 1930, merely reviewed the expenditures for the year that had ended on March 31, 1930, and indicated the revenues as they were then known, but made no forecast as to the probable expenditures during the year which was to close on March 31, 1931. Neither did he make any estimate of the

probable revenues. I pointed out frequently in years prior to that, that such a course could not by any stretch of the imagination be described as constituting a budget statement. It is therefore a matter of great satisfaction to have before us now a statement that is a budget for the year ending March 31, 1937. The minister has indicated the probable revenues of the country and the sources from which they will be derived, and also the probable expenditures and the channels through which they will be made.

I should like, however, to direct attention to the fact that speaking on May 1, 1930, the then Minister of Finance apparently had no appreciation of the great world forces that were marching toward a world depression. He apparently had entirely overlooked the fact that we were on the edge of, in fact had already entered into, that depression period. The government of that day seemed to have had exactly the same view; for I recall that the then Prime Minister, speaking only in April of that year, said:

> The fact that hon. members are obliged to restrict themselves to naming individual municipalities and are able to name them in numbers that can be counted on one hand so far as the Dominion of Canada is concerned, demonstrates more strongly than words could how little we have a national problem of unemployment in this country at the present time.

That was in April, 1930. When in 1928 and 1929 attention was directed from this side of the house to world movements which, in our judgment at least, meant inevitable disaster to the prosperity which then was abroad and to the movements in the stock exchanges, we were regarded as pessimists, and we find that as late as May 1, 1930, the Minister of Finance said:

> Before touching on the dominion's finances for the fiscal year just ended may I survey a few of the events which have indirectly influenced the balance sheet. As we all know, national revenues are dependent on the volume of business transacted. During the year certain unusual factors made themselves felt, in particular, the delayed marketing of the grain crops and the great decline in prices of stocks in the latter months of the year. While these factors are important they cannot be considered as permanently prejudicial to our economic structure.

Further in his opening observations, having referred to the fact that our harvest had not yet been moved and that it was very remarkable that in the preceding year harvester excursions had not been run to provide the west with harvest help, and having referred also to the condition of industry, he said:

> We have marshalled our resources to meet the problems arising from delayed marketing of the grain crops and, at the same time, absorbed the shock resulting from tens of millions of dollars being suddenly withdrawn from the ordinary reservoirs of credit.



I point that out for this reason: that as the Minister of Finance was in May, 1930, wholly unable to appreciate conditions that indicated a world catastrophe, so I venture to think that on Friday last he somewhat overestimated the forces making towards world recovery. I do that because I regard it as somewhat important that we should have no misunderstanding as to the extent to which the forces of recovery have operated in the world at large and in our own country in particular. Within three months of the date of the making of that statement by the Minister of Finance it was apparent that the views that were held by those who then sat to the left of the Speaker were sound; for our customs duties for April, May, June and July in the year 1930-31 as compared with the year 1929-30 had fallen by $15,815,000, excise taxes by $5,800,000, and excise duties by $547,000, being a net decrease in revenue during that short period of over $22,000,000. I think it is equally true that the income tax collections were somewhat larger than in the previous year, because they were collected on the incomes of 1929. But the absolute, shall I say, disregard and overlooking of these conditions constituted in my opinion a grave error in judgment on the part of the minister.

There has been much misunderstanding about the many things that have happened during the last five years and I am going to refer shortly to some of the events that have brought about the conditions to which the hon. gentleman referred. If I took up a much longer time I could not more clearly indicate the progress of this country during the last year or two than to use the words of the Minister of Finance. I am sure there is not an hon. member of this house who will say for a single minute that any policies of the present government had anything to do with the condition of affairs in Canada on December 31, 1935. Those conditions, whether good or bad, whether evil or otherwise, were brought about because of the policies pursued by the previous government from August, 1930, up to the end of October, 1935. As there was no opportunity for parliament to meet between October and December, it is obvious that the great improvement to which the hon. gentleman has referred and the figures which he has given are a complete vindication of the policies pursued by the government of that day during the last few years. Perhaps this could not be summed up better than it was in a single

paragraph in the speech of the minister. I quote from page 2367 of Hansard, as follows:

I am pleased to be able to report, for the fiscal year just ended, an important gain in our total trade with other countries, amounting in round figures to 152 million dollars. This is an increase of 12·8 per cent over the previous year. It is true that world trade generally has improved during the past year, but it should be noted that while the average increase in trade of 24 leading countries in the calendar year 1935 was 4·1 per cent our own trade increase was 11·3 per cent. As a result of this marked expansion in our foreign commerce Canada has moved up from eighth to sixth place among the nations in total world trade.

In that paragraph is contained a complete vindication of what, during all those long years, those who now sit opposite to me denounced in season and out of season with a heartlessness which at times I think aroused the animosity of some Canadians. They pursued their guerrilla warfare and, as I say, constantly in season and out of season denounced the policies that I have lived long enough to see a minister of finance of a new government stand in his place and say have brought to this country that regeneration for which we are looking and that improvement for which we are striving. Hon. gentlemen smile; they may smile but they cannot change the record as it was made by the minister. When the other twenty-four great trading nations of the world showed an improvement of only a little over four per cent, the improvement in our country was more than eleven per cent. Under these circumstances should we not as Canadians be proud that those who toiled, though they did not have the same political faith and opinions as the government of to-day, by their efforts and through the policies which they formulated, have been able to accomplish the ends for which the minister now takes credit?

If recovery has commenced, it is a recovery based upon policies that this government did not initiate or control. That, I think, will have to be admitted. If that recovery is greater than it has been in the other twenty-four great trading countries of the world, three times as great, then there must be some credit given to those who initiated the policies that brought about that result in Canada. When the Liberal government resigned in 1930, this is the legacy they left us: First of all, commitments had been made for millions of dollars, many having been initiated and created under orders in council passed between the date of the defeat of the government and their resignation. Second, a treaty with New Zealand terminated on that very day. Third, a shrinkage in trade that amounted to over twenty per cent of the trade of the preceding year, as well as a shrinkage in revenue of a like per cent. Fourth, our railway revenue had diminished to such an extent that immediate steps were necessary to provide funds for the enterprise. Fifth, the reports made to the bureau of statistics showed that at that time unemployment was shown to the extent of 113,000, by reporting companies or enterprises which constitute about half of all those engaged in industry in Canada.

Mr. EULER: One hundred and thirteen thousand half of the total employment?

Mr. ROGERS: Not one-half of the total number of employees in Canada?

Mr. BENNETT: I said as reported by industry to the bureau of statistics, reports being received from about one-half of the industrial enterprises of the country.

Mr. EULER: That is entirely different.

Mr. BENNETT: I think I said that very clearly. We found the stock exchanges in the condition to which the minister referred. On May 1, 1930, we found the provinces practically unable to pay their obligations and looking for means for that purpose. I shall not go into the matter at greater length, although I could if I so desired.

During the ensuing five years, what has been the result? One hon. gentleman opposite referred the other day to the fact that trade through his port had fallen off by more than one-half what it was in 1930. I think it is very desirable that our relations with the other countries of the world should be clearly understood. The other day the Minister of Finance stated something that people sometimes forget when he said that we in Canada are powerless to remove the uncertainties in the world's political outlook. So in this country with eleven million people we have to compare our position with that of the other countries of the world. I think it is very important that we should have a clear understanding of just what has been our position with relation to the other countries of the world since 1929. Let me point out, first, that according to the League of Nations reports, during the great depression world trade fell to 34·3 per cent of what it was in 1929. Some put the figures at just exactly one-third of what it was, but the figures collected by the League of Nations show the figure as 34·3 per cent. This represents the extent to which world trade had decreased.

Mr. CRERAR: That would be in value.

Mr. BENNETT: Yes, but in similar terms. What the League of Nations collected was comparisons of comparable things reduced to a common denominator. Let us look at 1929 to see what Canada was doing. That was one of our great years. In that year our export trade was 3·71 per cent of the world's total export trade. That is not imports, but exports—I want to make that clear. In 1929, 3·71 per cent of the world's export trade was done by the Dominion of Canada. In the calendar year 1930 we did 3·42 per cent of the world's export trade. In 1931 it had fallen to 3·29 per cent, and in 1932 it was 3·78, there being an increase over the preceding year. In 1933 it was 3·59 per cent, in 1934, 3·99 per cent, and last year, the calendar year 1935, the League of Nations reports that the export trade of the Dominion of Canada had risen to 4·32 per cent of the world's export trade. That, it will be observed, is a considerably larger percentage of the world's export trade than we did in the year 1929. Our proportion of imports however, for reasons to which presently I will direct attention, was much less because we were steadily diminishing our import trade. The reasons for that were I think apparent to every thoughtful Canadian. In the calendar year 1929 we did 3·65 per cent of the world's import trade; in 1930, 3·47; in 1931, 2·91; in 1932, 2·75; in 1933, 2·28; in 1934, 2·60; and in 1935 we did 2·71 per cent of the world's import trade.

Now take the two, add your imports and exports together and ascertain what percentage of the world's trade was done by the Dominion of Canada during the dark five years from 1930 to 1935. In 1929 we did 3·68 per cent of the world's entire trade; in 1930, 3·45 per cent; in 1931, 3·09; in 1932, 3·24; in 1933, 2·94; in 1934, 3·27; and in 1935 we did 3·49 per cent of the entire trade of the world. I give these figures because they bear closely upon the statement made by the minister himself and which I have just read. Then there was another significant fact, one to which the minister referred the other day, and I think very properly, namely, that during the last few years we have modified to a great extent the visible commodity trading balances of the country; and by reason of gold being exported as a commodity we had been able to create a very large favourable balance.

The minister referred the other day to our tourist trade, but I leave that entirely out of the matter for the reason that you have to consider other factors as well as the tourist trade. There are insurance premiums; there is interest that has to be paid abroad and there is interest from abroad; and there are other items that go into the invisibles that make up the ultimate balance of trade. So that I will leave out the tourist trade for the moment and confine myself entirely, exclusive of gold, to our commodity balance.

Our commodity balances when we came into office were running steadily against us. In 1930 I could not understand the government of the day reducing the sales tax by half, as they pointed out, and taking other action that was suggested to be a lessening of the burden of taxation at a time when we were urgently in need of revenues; and the shrinkage in these revenues was apparent during the operations of the month of April itself. Now without going into it at length, let me say that in 1921 we had a favourable balance of $17,000,000; in 1928 we had a favourable balance of $151,000,000; but in 1929 we had an unfavourable commodity balance of $103,000,000, and in 1931 of $10,000,000, because the corrective measures that were put in operation in the fall of 1930 had not immediately become apparent. So that in 1932 we had a favourable balance of $49,000,000; in 1933, $136,000,000; in 1934, $146,000,000, and last year, $192,000,000, exclusive of gold, which we will treat as a commodity and which brings about the situation to which the minister referred.

The other day it was pointed out, not improperly, that too much importance may at times be attached to what is called the balance of trade; but there is no possible likelihood of anyone ever gainsaying what was said by the minister the other day as to the importance of the balance of trade when you come to consider its effect upon the stabilizing of the value of your unit, your dollar abroad among the selling and purchasing countries of the world. It was that factor which we had to consider when we dealt with the matter in 1930. These significant facts indicate, I think, just what we had to face when we came to assume the responsibilities of government in 1930. But there are two or three other matters that might be mentioned when dealing with trade.

In 1935 we increased our domestic exports over 1932 by 47·7 per cent; over 1933 by 37·2 per cent and over 1934 by 11·6, showing that we had made steady progress during those years. Now we come to what I regard as one of the most important matters with which we had to deal, namely, the steps to be taken to correct the conditions to which I have referred. What steps would be suggested? First of all, as has been pointed out in this house very frequently, we raised the tariffs. We certainly

did. We raised tariffs in the fall of 1930 at the special session for a very deliberate and definite purpose. We were confronted with a situation such as this country had never faced before, and it became absolutely essential for us to take some steps to safeguard the integrity of the nation.

Now raising tariffs does not necessarily mean increased costs to the consumers. I realized then as I do now the difficulties that have always to be met when tariffs are raised, because it is contended that there is an increased price to the consumer; and so we had regard to the fact that there was, as is pointed out in one of the reports of the tariff board to which I may refer before I conclude, a chaotic condition in many industries in the United States which were seeking, under the lower tariffs that prevailed between Canada and the United States, to find here a market for their surplus products. And they were finding that market. If you take the trade figures you will realize that they were finding that market in increased volume; and every time a dollar's worth of goods came in from that country, industrially chaotic at the time, it displaced a dollar's worth of Canadian industrial effort and deprived the Canadian of his work, throwing him into the ranks of the unemployed.

Faced with that situation we determined that the proper course to pursue was to enact tariff leigislation that would give Canadians an equal opportunity with those who competed with them in their own markets; secondly, legislation that would ensure employment of Canadians to supply the wants of Canadians; and thirdly, we had to take such steps as might be necessary to ensure the consumer against exploitation. How did we do it? If hon. gentlemen will take the trouble to turn to Hansard of May 13, 1930, they will find there a list of communications signed by various industrial firms in Canada, by which they undertook that they would not raise prices to the consumer in Canada if they were afforded an opportunity to secure the Canadian market for their own products. That was in 1930, in the fall.

Mr. DUNNING: Not in May.

Mr. BENNETT: It was on September 22, 1930.

Mr. DUNNING: You said May.

Mr. BENNETT: Thank you so much—September 22, 1930. I take for instance one letter:

Re Boots and Shoes

Keen and unrestrained domestic competition amongst approximately 190 shoe factories in Canada affords abundant protection to the trade and the public that the selling prices of Canadian boots and shoes will at all times be very close to actual production costs in the most efficient plants. Moreover, we offer you our pledge that our members will not take any advantage of higher tariff duties to increase their prices, but on the contrary that they will pass on to the trade and the public the benefits of whatever reductions in production costs per pair may result from enlargement of the home market and the increase in Canadian production.

The Shoe Manufacturers' Association of Canada.

John T. Tebbutt, President, The Tebbutt Shoe, and Leather Co. Ltd.
H. Tétrault, Tétrault Shoe Mfg. Co., Ltd.
J. B. Goulet & Son, Inc.
F. S. Scott, Getty & Scott, Ltd.
Alfred Lambert Acton Shoe Co. Ltd., and Alfred Lambert, Ltd.
Oscar Dufresne, Dufresne & Locke, Ltd.
J. D. Palmer, Hartt Boot & Shoe Co., Ltd.
Allan A. Mark, The Empress Shoe Co., Ltd.
John J. McHale, Scott & McHale, Ltd.
J. E. Warrington, The John Ritchie Co., Ltd.

With respect to that commodity, not only has there been no increase in the cost of boots and shoes by reason of that tariff increase, but the consumer was able to purchase them at a better price than before, and assured employment was given to Canadians during that period of depression.

I pass now to another article. They are all set out at length, but I will refer briefly to farm implements, because I am going to say something more about them before I conclude:

The manufacturers are of the opinion that consumers of agricultural implements should not pay higher prices for them, and they are equally emphatic in the statement that if the Canadian market is supplied from Canadian factories, instead of being supplied in such volume by goods manufactured elsewhere, they will not increase prices of implements to consumers, provided the factors entering into manufacturing costs are not increased.

Massey-Harris Company, Limited,
Per George Valentine,
Vice-Pres.

Sawyer-Massey, Limited,
Per H. R. Malley,
Vice-Pres. & General Mgr.

John Goodison Thresher Co. Ltd.,
Per L. V. Wright,
Director.

J. Fleury Sons, Limited,
Per H. W. Fleury,
Pres.

Coskshutt Plow Company, Ltd.,
Per E. A. Mott,
General Manager.

Waterloo Manufacturing Co. Ltd.,
Per A. T. Thorn,
Vice-Pres. & Gen. Mgr.

Frost and Wood Company, Ltd.,
Per J. E. Ruby,
Vice-Pres.

That statement was lived up to in its entirety. I say more: the implement producers

of this country reduced their prices in 1932, and despite the fact that in 1933 and 1934 there was an increase in the prices of implements in the United States there was no corresponding increase in the Dominion of Canada, and to-day prices in Canada and the United States are practically on a parity; in some cases our prices are less than theirs. I think it may be a matter of interest, when we discuss this matter in committee, to present a complete analysis that was secured, partly by my own personal efforts and partly otherwise, as to prices of like implements at a given point in Montana and a given point in Saskatchewan. I want to pay this tribute to the manufacturers who signed that agreement. Although it was suggested at one time that they should raise prices, they did not do so, and there was no increase of prices in this country until the Canada-United States agreement was signed, when, of course, they were released from their obligation.

Some hon. MEMBERS: Oh, oh.

Mr. BENNETT: That is the fact. You may laugh, but it is a fact that cannot possibly be successfully challenged. The facts speak for themselves.

Then with respect to electrical products, and printed matter, to which I shall again refer, there was another undertaking, somewhat of the same character as that with respect to implements. As regards gasoline the letter was as follows:

Re Gasoline

The adoption of these recommended revisions will not result in any increase of prices to the retail consumer because of them.

The British American Oil Company, Ltd.,
Per A. L. Ellsworth, President.
The Canadian Oil Companies Limited,
Per F. H. Littlefield, Vice-Pres.
Imperial Oil, Limited,
Per C. O. Stillman, President.
McColl Frontenac Oil Company, Limited,
Per J. Irwin, President.

With respect to these items that I have referred to, the manufacturers kept their obligations and respected their undertakings, and did maintain their prices within the terms they stated, excepting in so far as raw material may have increased in price.

Bearing in mind what I have indicated was our intention, we placed upon the statute books the tariff changes of the fall of 1930. That resulted at once in a diminution of our imports, and it assured a measure of employment that was not otherwise available for those who were maintained in their work in the factories to which I have referred. There is a long list of them. One man said he could keep 400 more people permanently employed, another man, 40; another, 50; and so on. I put to the house this question: What would have happened to this country had that legislation not been enacted? That is the issue, plainly put, in view of what the minister has proposed in a part of his budget to which I shall refer. What would have happened had those steps not been taken? It is all right to appeal to the passions and the prejudices of men, and say, look at what it has done, this wall higher than Haman's—

Mr. MACKENZIE (Vancouver): —gallows.

Mr. BENNETT: Haman's gallows, I think was the phrase my hon. friend from Vancouver Centre used. I see he remembers it. It is all right to do that, but let us deal with realities. These tariffs were for certain given purposes. The purposes I have indicated. They accomplished the purposes for which they were enacted. True, they were emergency tariffs. We made it clear that that was so. True, it was purposed that in the end those tariffs should of course be reduced, but during the emergency, during that period of time that we were endeavouring to bring this country back to something like stable conditions and to enter upon an era of recovery, it was essential that we should enact the measures we did for the purposes I have indicated.

It is true that these measures did not provide employment for all the unemployed in the country. It is true that the numbers of unemployed increased greatly. The reasons have been given over and over again, but they bore no relation to the work of our industries. I put this to the house: in view of what transpired in respect of unemployment, the increased numbers that became unemployed, what would have been the condition had the steps I have indicated not been taken? That is the test. Bear in mind that those who now sit on the treasury benches condemned by every just and lawful means within their power the measures that were taken.

Then we said: We will endeavour to increase the demand abroad for our goods. We will increase exports while we diminish imports, in order that we may bring about an even adjustment with respect to our commodity balances. What did we do? The very next step was to endeavour to secure a trade agreement with the British empire, because as will be recalled by members who were in the house in 1928 and 1929, we then said that if we were put in office the first thing we would do would be to send an invitation to British empire countries to meet here for the purpose of discussing measures

of preferential trade. As the result of the efforts of 1932 we succeeded in making what are called the empire trade agreements. Who in this house who was present in 1932 does not recall the almost venomous way in which those agreements were attacked? I wonder if our new friends who have not been in this house before will take the trouble to read Hansard of that day. I wonder if they are interested enough to read the discussions with respect to those empire agreements.

An hon. MEMBER: That is why I am here.

Mr. BENNETT: One hon. gentleman suggests that these agreements are the cause of his being here. He, then, must have taken credit for them. Apparently he was strongly for them, but what he means to convey, I fancy, is that the opposition to them was so great that he came in as a protest against the government that negotiated them. Well, that may be, but I have lived long enough to hear the Minister of Finance of to-day (Mr. Dunning) rejoice in the result of those agreements. All you have to do is read his speech; I will not take up the time of the house to read the references that he made to the result of those agreements.

Mr. DUNNING: I think the right hon. gentleman had better read what I said instead of interpreting it; it is much safer.

Mr. BENNETT: If the hon. gentleman desires that the time of the house should be taken up in that way I shall do so. It will be found at page 2368 of Hansard. The hon. gentleman gave the figures for eleven months, though we have the figures for twelve months now. I will not give the twelve months figures.

Mr. DUNNING: I did not have them at that time.

Mr. BENNETT: They were just being completed by the bureau of statistics for publication in the National Revenue Review. The figures quoted were as follows:

Trade of Canada with Empire Countries
(excluding gold coin and bullion)

| | Eleven months ended | |
|---|---|---|
| | Feb. 28, 1935 | Feb. 20, 1936 |
| Imports from the United Kingdom | $102,602,618 | $108,177,173 |
| Exports to the United Kingdom | 253,488,637 | 293,002,334 |
| Imports from the British Empire | 143,989,314 | 163,429,300 |
| Exports to the British Empire | 313,665,822 | 362,178,462 |

But the interpretation of the figures does not await a Joseph; the minister interpreted them himself. These are his words, starting at the bottom of page 2368:

Upon analyzing our export trade, it is found that the United Kingdom is still our largest market having taken 293 million dollars or 41½ per cent in value of our goods exported in the eleven months ended February 29, 1936, which is approximately the same proportion of the total as in the previous similar period. The British empire as a whole purchased 362 million dollars worth, which was 15½ per cent more than for the same eleven months a year ago. Within the empire the increased purchases from us were distributed as follows: the United Kingdom 15·6 per cent, Australia 35·1 per cent, New Zealand 28·7 per cent, and South Africa 7·1 per cent. Exports to British India decreased by 17·2 per cent.

Not only do our increased exports bear witness to the steady growth of our trade with empire countries, but the same trend is also revealed in the figures of our purchases from these countries. While our exports to empire countries gained by 48·5 million dollars, our imports increased 19·4 million dollars or 13½ per cent in the eleven months period. This increase in imports from British countries was shared as follows: the United Kingdom 5·4 per cent, Australia 16 per cent, British India 13·4 per cent, New Zealand 21·7 per cent, and South Africa 41·3 per cent.

There is the interpretation of the figures as given by the minister himself, and when I point out that since 1932 there has been not only a steady increase in imports and exports with the United Kingdom but also a steady increase in our trade with the British empire as a whole, I only indicate the importance of that trade as it has been indicated by the language of the minister. These words I commend to the house:

Over fifty-six per cent of our imports come from the United States. At the same time they take only thirty-seven per cent of our exports. From empire countries we purchase about one-third of our imports and sell to them just over one-half our goods exported.

Mr. DUNNING: The next is very important.

Mr. BENNETT: I shall read that:

Approximately eighty-nine per cent of our total trade is with the British Empire and the United States.

That is only a very simple problem in addition. There you have the export trade of this country, one-half of it with the British empire by reason of the agreements that were concluded in this very chamber in 1932.

What is more, every fair-minded man admits it. I have not seen any man who has really taken the figures and analyzed them who would not say that this was the result of those agreements between the Dominion of Canada, the motherland and the British empire. But for some strange reason men think it improper to admit a fact. Politics produces strange effects upon given people.

Some hon. MEMBERS: Hear, hear.

Mr. BENNETT: Yes, hon. gentlemen may say "hear, hear," but the truth of the matter is indicated by the records. You may take the imports and exports of this country with the British empire in 1931, in 1932 and in succeeding years, and I say that no reasonably fair-minded Canadian reading that record will deny that the agreements then entered into brought about the conditions to which the hon. gentleman referred in his speech the other day. That being so, Mr. Speaker, recall the language that was used in those days: "A Tory conspiracy." Those were the words that were quoted with respect to the men who gathered here from every part of the far-flung empire to make agreements that have had the effect these agreements have had: over one-half our exports have gone to empire countries. Look at our trade with Australia and South Africa; look at the increased trade under the treaty we made with New Zealand. We had to make a new treaty with New Zealand, and that treaty has brought about increased trade and has added wealth to both countries. Take Australia or South Africa or Great Britain; analyze our trade with any one of them, and you will find exactly the same trend. I was glad to hear the minister indicate the other day what the trend was.

I am going to put it this way now: If hon. gentlemen opposite attach no importance to these agreements and loudly cheer the sentiment that they have no value to Canada; if they are of no value, as the hon. gentleman says, I venture to suggest that he will not find much difficulty in discovering other countries who would be willing to take over these agreements, if they could have them. More than that, he will find it somewhat difficult to convince many people that these agreements have no appreciable value, and especially will that be so when he is confronted with the necessity of renewing them in 1937. That is the position he will have to face then. Of course it will be very simple at that time to say, "Well, we are not particular about that; there is no value to us in these agreements. You can have this, that and the other thing; they are of no value to us." That is the atttitude that has been taken by hon. gentlemen opposite this afternoon, and of course that will make it very simple to deal with those with whom you must negotiate next year.

Then there arises another point, and I might as well deal with it now. The other afternoon the hon. gentleman referred to the fact that in the budget there had been a great extension of free entry to British goods coming into Canada. I wondered if he had been reading what had taken place since 1932. When we made the agreements in that year, this country was at the lowest level of its economic life. We had to face a situation in which we could not, for the reasons I have already given with respect to trade and finance, throw down our tariff barriers, if you call them such, and permit free trade, or, shall I say, a very low tariff trade, to come into this country. We told our friends in Great Britain what our position was, and I think you will find that since 1932 we have steadily, although slowly, enlarged their market in this country. If the hon. member will look at the budget delivered last year by the Minister of Finance he will find that the number of items affecting goods from Great Britain that we placed on the free list amount altogether to over 250. He will find that between 1932 and 1935 there had been an increase of the original number by something like 100. There had also been a removal of the excise tax of three per cent, one and a half per cent in one year and one and a half per cent the next year, and a diminution or lessening of specific duties in other cases. So we had widened and broadened opportunities for British products in our own market. We had done that, explaining to them that we could not maintain the integrity of Canada if we were to permit duties to be so low as to lead to the destruction of our industrial structure, and throw out of employment large numbers of people.

A treaty with New Zealand; a treaty with France—what did we do with respect to France? We gave notice to terminate the treaty then existing with France. We were told at the time that it was a terrible thing for a young country of eleven million people to dare to terminate a treaty with an old and populous country such as France. Nevertheless we terminated that treaty. Why? All you have to do is to look at that treaty, and you will realize the reason why. Then we negotiated a new treaty. My friend the then Secretary of State spent many weeks in France, and in 1934 we made a supplementary treaty. The other day the Minister of Trade and Commerce (Mr. Euler) referred to the fact that the extensions that were referred to

by the Minister of Finance were arranged by the preceding government, not by the present administration at all.

So much for the treaty with France. Then we made a treaty with Germany by which we gave Germany the intermediate tariff, a procedure which was much approved at that time, because it was said it gave a wider opportunity to us to sell goods in Germany by reason of securing the minimum tariff. In some of the tariff items about to be considered by this house and the committee of the whole it will be found that the extension of the favoured nation treatment to the United States involves also an extension to all countries enjoying favoured nation treatment from Canada. We extended the intermediate tariff to Austria, and made a trade agreement with them. It was largely negotiated in London by the then Secretary of State. We made a treaty with Brazil and we made a treaty with Poland. Notwithstanding the conditions under which we lived, depressed conditions and a shrinkage of trade throughout the world, we were able to make treaties of commerce and trade with the countries to which I have referred, thereby extending the market for our exports on terms and conditions which I have already indicated. That in itself, if hon. members opposite had done it, would have been heralded from the housetops as a wondrous achievement. The fact that the other day the Minister of Trade and Commerce made slight reference to a few items in the French treaty, which were arranged by his predecessor, necessitated the Minister of Finance making special reference to it in his budget. The reference is in this budget.

Then, let us go a step farther. How long had we been endeavouring to extend our trade with Germany? The former minister of finance, of the Liberal party, had been endeavouring unsuccessfully to make arrangements, but we did succeed in making an agreement with them by which we gave them the intermediate tariff in exchange for their minimum tariff. That applies to Austria. With some slight modifications it is true with respect to Poland.

And what about the new treaty with France? In this connection I shall quote an independent authority. I do not know how accurate his view may be, but he says that "it is the most workable and fair-minded treaty that has ever been made between France and Canada." We have had a treaty ever since very early days. There has been a general recognition by each of the position of the other. We arrived at arrangements which I believe were fair and equitable to both, and they were not difficult to arrange. From time to time they have purchased large quantities of our wheat, although our export figures did not show anything like the amount indicated by their import figures, due to the shifting of the ports to which wheat is delivered. One year since 1930 they took from us 36,000,000 bushels of wheat, and they made it abundantly clear to us that they were prepared to take all available wheat that they might require so long as they could secure in Canada a fair market for certain of their products, notably wines and champagnes. We introduced into that particular treaty a provision which stated that the treatment received by us with respect to our wheat production should be in the very same spirit as that accorded to France with respect to the products of her vineyards. We carried that into effect. I mention this because in the light of what has transpired it becomes important to realize that during all the depression period, with all the attacks that were levelled against the administration of the day, there was a gradual and continued expansion of our markets; greater opportunity was afforded to sell our wheat abroad. We could not have maintained the integrity of our economic life had we not taken such action, and the concessions offered in our markets were made coextensive with the possibility of maintenance of our own economic structure. Wherever we could we granted concessions to those who had been granting concessions to us.

Some reference was made to the relations of this country with Japan. I shall not do more than say that the matter has been discussed at some length in the house. It remained for a Canadian government to provide by legislation that when a nation complains of a value fixed by the Canadian minister and an appeal is taken to the tariff board, which is constituted as a court, and the appeal is not prosecuted or terminated within a certain time, Canada is non-suited and the appellant is restored to his original position without further question. That applies to all nations, not only to Japan. When I make that statement, of course, I refer to all nations receiving favoured nation treatment from Canada. So that so far as we are concerned we have afforded opportunity for appeal and then provided that if the appeal so taken is not disposed of within a given time we must lose the appeal, so far as Canada is concerned. The minister is overruled by the other country, whatever that country may be, and is held up to ridicule for having placed upon a commodity a wholly erroneous value for duty purposes. That is the first time I have ever known of the introduction of such a principle into the fiscal or judicial life of a country.

Let me deal now with the problem connected with the exemption to the extent of $100 on goods coming from the United States. Perhaps this is the better time to deal with the matter, although a discussion on it might be more logical a little later. The minister will recall that he referred to the treaty made between Canada and the United States. I observe already the shrinkage in customs revenues resulting from that treaty, a shrinkage which will result from it to a greater and greater extent. There has not been a minister of finance in Canada in the last forty years who has not desired to make such an arrangement, but those ministers knew they dare not do it without at the same time endangering their country's integrity. Why? This agreement made with the United States extends to every country to which we give favoured nation treatment. Travellers who cross the sea may all bring in, if they so desire, one hundred dollars' worth of commodities if they have been forty-eight hours in a foreign country, and they can do that three times a year. I wonder if it is known just how many travellers, for instance, went from our ocean ports last year. From ocean ports there left this country last year, apparently as travellers and tourists, some 28,-152 people, without including those who went from the Pacific. So it is not too much to say that by water we have about 30,000 people leaving our ocean ports. But when we come to the United States of America and ask how many automobiles and how many passengers entered that country from Canada, I fancy that a great many of our friends will be as greatly surprised as I was, for according to the figures given by the United States authorities, 2,135,999 persons entered the United States from Canada in the year 1935 by automobile, and by rail and steamer another 366,288, making a total of 2,502,287, and if you include the 30,000 odd that I have mentioned you have a grand total of 2,532,287. I desire to point out that these people did not all have their own automobile, but the average was three people per automobile, or slightly over that, and the number of automobiles that entered the United States from Canada was 659,259.

Now, I put this to you, and it is a fair question: Can this country stand the entrance into its markets free of duty of twenty dollars' worth per head of commodities for two and a half million people? To the extent that goods are acquired from foreign countries under the provisions of that arrangement, whether it be from Great Britain or France of Belgium or Spain or the United States, we have made Canada a free trade area within their country. I say this, sir, that previous ministers of finance felt that they dare not—and I use that word advisedly, because I have discussed it with many of them—take the risk that is involved in a country with only eleven millions of people giving free entry to the extent of possibly $300 a year per head of those who come back to this country after forty-eight hours stay in France or Spain or the United States. I take that figure of two and a half millions of people, and at $20 per head it means fifty million dollars; at $40 per head it means one hundred million dollars; and when you remember the figures I gave as to the volume of our trade with the United States then indeed the members of this house may well ask themselves whether we can afford that luxury or not.

Would I like to see it done? Yes, sir. Would I like to see it carried into effect? Yes, sir. Would every Canadian who goes to and from and trades and barters like to see it done? I think the answer is yes, but there are many things that this country must now learn it cannot do that it would like to do. We would like to have built three railroads across the country, and we did so, but we now know that we should never have done it. I could mention other matters of the same kind, and I mention this because it seems to me it is just as well to mention it here as anywhere else, and dispose of that once and for all.

Now I will deal with our financial position. Shortly after the late government came into office it examined our financial position, and on the first of October we had to go to the market of New York and borrow $100,000,000 at four per cent. We were confronted with the necessity of finding money for the railroad with maturing obligations, and after consulting with the best financial minds it was determined that that was the moment, then or never, having regard to what was happening in the world at large, to raise this money, and so we raised it in the United States at that time. That $100,000,000 is still a liability in the United States of America, being practically all held there. That was our first venture into the market of the United States to secure money to meet our situation at home.

But in 1931 we realized that this country could not continue if it did not make some effort to lessen the burden of debt service, and so we asked the people of Canada to convert their high interest bearing securities to a lower rate. I recall the circumstances very well. It was said that it would be hopeless to undertake to do such a thing at that

time, and yet the government of the day believed that the Canadian people would respond. The result was that nearly $650,000,000 of these securities were converted, effecting a saving larger than any other that was made, a saving in interest of over $6,250,000 per annum. As a result of that conversion and of the sale of treasury bills, to which I shall presently refer, brought about through the creation and organization of a central bank, the Bank of Canada, we were able to reduce before we left office the annual interest charge upon this country by approximately $16,000,000. When I heard my friend the Minister of Finance the other day refer to the saving of interest I thought he might at least have pointed out that $16,000,000 of that saving had been effected by his predecessors in office, that $16,000,000 of that saving in interest charges had been brought about by the conversions to which I have referred.

Mr. DUNNING: I gave the dates; they speak for themselves. I took no credit.

Mr. BENNETT: I do not think the dates were set out. If the minister will turn it up—

Mr. DUNNING: I certainly intended to take no credit, nor to apportion any. I was simply reciting the facts.

Mr. BENNETT: If the hon. gentleman says that in the papers that were put in the dates were set out, I think that is all that could fairly be asked of him. I say that very frankly. But I want this house to understand that as a result of these efforts in the financial world the late government reduced the annual obligations of this country by $16,000,000.

Let us go a step farther, and I think this is important. The Minister of Finance said on Friday that the annual interest charge last year was over $130,000,000; in the details of our unmaturing funded debt and of our treasury bills he shows that the amount required for one year's interest on the debt as it now stands is $128,597,577.18, as of March 31, 1936. So that notwithstanding the borrowings that have been made, and to which I shall presently refer, it will be found that the late government at least discharged its stewardship to the people of Canada by bringing about through the methods I have indicated an annual saving of $16,000,000 in interest. How was that done? It was done not only by appealing to the self-interest, if you will, and the patriotism of the Canadian people, but also by the creation of the Bank of Canada. I wonder, Mr. Speaker, if my friends realize the full significance of the part which the Bank of Canada has played in enabling us to arrive at the financial position in which we now find ourselves. I recall what was said when it was first suggested that we should endeavour to make short term treasury bill sales. We had been able to sell treasury bills for one year or two years, but when it was suggested that we should make treasury bill sales for three months or six months, it was said that there was no market in Canada for them. I replied that Australia found a market for them to the extent at one time of over $400,000,000. I replied that in England the outstanding treasury bills at one time amounted to over £800,000,000, although this total has been greatly reduced during the last few years. As I say, we found a market for short term treasury bills. A short term treasury bill is nothing but a promissory note of the Dominion of Canada to pay in three or six months a sum of money. Tenders are sent to the various financial institutions of the country, including the chartered banks, which indicate by their bids what they are prepared to pay for these bills.

If you will follow the minister's speech you will observe that we have been able to reduce very considerably the average rate of interest on our borrowings. For instance, the last sale, as the minister pointed out the other day, was at the rate of nine-tenths of one per cent. In Great Britain a lesser rate than that sometimes prevails, while in the United States it is rarely that low. The average rate in that country is between one-quarter and one-half of one per cent. We have been able to bring this about through this organization called the Bank of Canada, although the Bank of Canada is not the only purchaser of these bills. The Bank of Canada is the depository of the reserves of the banks, and the Dominion of Canada guarantees those reserves. Naturally, having taken them out of the custody of the banks and put them in the custody of the Bank of Canada, we guarantee the banks against loss. One of the unconscious prices that the banks pay for this guarantee is the fact that the money of their depositors is placed in the hands of the Bank of Canada and made available for the purchase of treasury bills. The tenders for treasury bills by the Bank of Canada have constituted a substantial part of the whole, but obviously that institution cannot invest all its reserves in treasury bills. As they became more popular and better known, the banks, the insurance companies, the financial institutions and sometimes other organizations that had money they were willing to let out for three months at less than one per cent in order to be certain to get it back at the end of a short period, invested

in these treasury bills. Therefore treasury bills have played a large part in the financing of the last few years, and I am still delighted to think that the government is still able to utilize the machinery of treasury bills at lower rates for the purpose of carrying out its obligations.

Side by side with that, was the great drive the government made to secure lower rates of interest. Does anyone think that these lower rates of interest came about by accident? Does he think for a single moment there was no conscious action on the part of any government or organization to bring about that end? First of all. it was necessary to secure a lowering of the rate of interest for deposits in the banks. The provincial authorities had to be considered, because in some places they were maintaining savings institutions and paying a higher rate of interest. There were also the building and loan organizations and trust companies to be considered. First, there was the securing of a lesser rate on deposits and then the making of a lower market. In that regard it will be recalled that when the imperial conference met here in 1932 we adopted a resolution which had for its purpose that very end. It will be recalled that one of the resolutions we adopted was in these terms:

As regards monetary factors, the conference recognizes that the central position of the United Kingdom, not only among the countries of the commonwealth but in world trade and finance, makes the United Kingdom a main factor in anything that can be done. The conference therefore welcomes the following statement made on behalf of the United Kingdom by the Chancellor of the Exchequer:

"His Majesty's government desire to see wholesale sterling prices rise. The best condition for this would be a rise in gold prices and the absence of a rise in gold prices inevitably imposes limitations on what can be done for sterling. A rise in prices cannot be effected by monetary action alone, since various other factors which have combined to bring about the present depression must also be modified or removed before a remedy is assured. His Majesty's government nevertheless recognize that an ample supply of short-term money at low rates may have a valuable influence, and they are confident that the efforts which have successfully brought about the present favourable monetary conditions can and will, unless unforeseen difficulties arise, be continued."

(d) The conference recommends the other countries of the commonwealth represented here to act in conformity with the line of policy as set out in the statement of the Chancellor of the Exchequer, so far as lies within their power.

In the monetary sphere the primary line of action towards a rise in prices should be the creation and maintenance, within the limits of sound finance, of such conditions as will assist in the revival of enterprise and trade. Among these conditions are low rates of interest and an abundance of short-term money. While regard must be had to the different conditions applying to various types of loans, the rate of interest for all purposes should be kept as low as financial conditions permit. At the same time it is necessary that these favourable monetary conditions be achieved, not by the inflationary creation of additional means of payment to finance public expenditure, but by an orderly monetary policy, safeguarded if the necessity should arise, by such steps as will restrain and circumscribe the scope of violent speculative movements in commodities or securities.

[Mr. Bennett.]

Upon that policy His Majesty's government in Canada acted. At the world economic conference in 1933 it was pointed out that twenty-five cent metal coverage was ample for most purposes. In June, 1934, we amended the Dominion Notes Act to provide that up to $120,000,000, a coverage of twenty-five per cent in gold was all that was required, and that silver might be bought to the extent of 1,671,802 fine ounces of newly-mined Canadian silver in each of the calendar years 1934, 1935, 1936 and 1937, which silver shall be purchased and held by the minister pursuant to the section. Then on July 5, 1935, there was enacted a provision for the revaluation of the gold held by the Bank of Canada under the provisions of the Bank of Canada Act, and, further, that there should be established, if it was thought desirable, a stabilization exchange fund. That fund has not been set up because we thought it desirable at that time not to make it imperative upon the Bank of Canada to take that action, but rather to provide that it could be set up, if it was thought desirable, by proclamation bringing into force the provisions of that statute. As I understand it, at the present moment the provisions of that statute in connection with the exchange fund have not been brought into force.

Mr. DUNNING: There are some investments, of course.

Mr. BENNETT: That has nothing to do with it. The result of all this was to secure a much lower rate of interest, such a rate of interest as we have never had before in this country, a rate which was undreamed of a few years ago and one that was thought almost impossible of achievement.

In this regard I think this is possibly the best place to discuss the situation that has developed in Australia. Sometimes our friends point to Australia as an example that could readily be followed here. Those who are interested will find that in January, 1931, the average yield basis of Commonwealth of Australia domestic issues was about 7½ per cent for a government borrower, a very high

rate. In November, 1935, an internal issue of 3¾'s, due in 1949, was placed at 99·75, a yield basis of just over 3·75 per cent. In that same month an issue of the Dominion of Canada 3's, due in 1955, sold readily in our own market at 98·75, to yield 3·08 per cent. Turning to the London market we find Australian 3¼'s, due in 1948, selling at around 99, while Canada 3¼'s, due in 1955, were selling at 102. On the New York stock exchange we find Australian 5's, due in 1955, at 105, as against a quotation of 112 for Canadian 5's, due in 1952. An economist connected with a Canadian financial house has asked whether one might be pardoned for wondering if Canada's credit, both in domestic and external markets, is not perhaps overrated. Later figures show that our credit is even better than it was according to what I read a moment ago. That is the achievement of the last few years.

I might point out further that we provided for farm loans at a lower rate of interest, for debt adjustment, as is known, and for loans to provinces, with respect to which I shall have something to say at this moment. The minister the other afternoon pointed out that the government of the day had made loans to provinces. That is absolutely correct; we did make loans to provinces. I am not satisfied that in all cases the provinces have responded as they should with the most careful economy in the expenditure of the moneys thus loaned. In fact the evidence which I have is very clear that such has not always been the case. Nevertheless we were confronted with this emergency: Should we permit the provinces to default or should we endeavour to save them until such time as recovery would warrant our taking the view that if they did default they would do no great injury to the credit of the Dominion of Canada? As the minister fairly said, wisely or unwisely, we took the step we did; we did provide these provinces with money with which to meet maturing obligations in New York and London, money with which to carry on relief works and for relief purposes, and in some cases, as was pointed out the other day, for part of the work of government itself. But I ask you, Mr. Speaker, I ask my fellow members of this house, whether in the days of the darkest depression, when every part of the world where money was available was watching and waiting to see whether or not this or that security would fall, we dared take the risk of permitting default on the part of any of the western provinces. I think not; I still think that that was sound. At times I have had grave doubts as to whether it was wise to continue it beyond a certain point; but certainly at the time we first did it, had we not done so, I am satisfied that the gravest disaster possible would have overtaken Canada. At least this was the advice I received from those who were informed and were well able to speak with authority. And the government of the day, realizing that they might be subject to severe criticism both in their own country and in other places, felt nevertheless a compelling sense of duty that necessitated their coming to the rescue of these provinces.

May I point out here that in my opinion it was a great mistake for the minister to suggest that he had arrived at some modified scheme in connection with loan councils and national loans. I say that for this reason. Did Alberta have a fair chance? The correspondence was tabled here. Alberta declined. But Alberta did not have what has now been suggested, a modified scheme; Alberta did not have that scheme before it at the time default came about.

Mr. DUNNING: She has now.

Mr. BENNETT: Yes, but the harm has been done; that is my point. If Alberta accepts it now, then you have this terrible situation, that the government presented a proposal to all the provinces and after one had declined and defaulted the government modified the plan and put it up again to all the provinces. Is that fair?

Mr. DUNNING: I know that my right hon. friend does not want to leave any impression that might be injurious to the situation. It is true that Alberta refused the original arrangement, an arrangement which by the way still stands. But it is also true that just before the maturity date the province of Alberta indicated its intention of proceeding with a forced conversion on its own account which rendered negotiations all but impossible at that time. I should say, in order to avoid even a suspicion of any intention to discriminate, that efforts were under way then, and discussions of every kind with the provinces affected, including Alberta, to find some method which would meet the situation not only for one but for all; and it was rather unfortunate that the maturity date brought an end to the Alberta negotiations.

Mr. BENNETT: The hon. gentleman has not changed the situation in the slightest. I do not desire for a moment to misrepresent it, but reading his speech I think it is clear that a modified proposal has been made to all the provinces.

Mr. DUNNING: Yes.

Mr. BENNETT: Now I say that there is nothing worse in the world, in finance, when dealing with a situation of that kind than to make a proposal which is not a finality, because if default occurs between the date of the first proposal and the date of the second proposal, by reason of the first being rejected and being still open, although it has been rejected—if there happens to be default in between these two periods you have given grievance to those who have defaulted if they think that the second proposals are satisfactory. I think that is a fair way to put it.

Mr. DUNNING: No.

Mr. BENNETT: And what is more, it is calculated to be open to a construction which I know is not a proper one, for I know that the minister was not discriminating; and the fact that Alberta passed a statute providing for compulsory conversion has nothing to do with the question whether or not they would undertake to come within the provisions of the proposal made to all the provinces.

Mr. DUNNING: Oh, yes.

Mr. BENNETT: I think not.

Mr. DUNNING: It has a very vital bearing.

Mr. BENNETT: I think not, because one would nullify the other; there would be no possible chance of a forced conversion taking place if the arrangement with the dominion were carried out.

Mr. DUNNING: And vice versa.

Mr. BENNETT: Now I come to the question as to the creation of national councils and loan councils. I ventured the belief, rightly or wrongly, wisely or unwisely, that until such time as there were evident signs of recovery there could be no real conversion of the securities of the provinces, the municipalities and the railways. That is to say, we might do it spasmodically; we might deal with some millions in connection with the railways, and we might save two or three millions per annum, as we have; but if we are to do it on a broad and comprehensive scale it must be in the light of a recovery, and I do not think we could have done what we did do had it not been for the evidences to which the hon. gentleman has referred.

I will not anticipate the discussion on the resolution which appears on the order paper; that would be improper. But surely it is not intended to amend the constitution by asking the British parliament to enact retroactive legislation that could never find a place in a people's constitution. It does seem to me extremely doubtful whether we should ask any parliament to enact legislation of that sort. But when you say that you propose to clothe the provincial legislatures with power over indirect taxation, even though you limit it, you have created a situation of the greatest gravity, one which we will discuss when we come to the resolution. As I say, I will not anticipate that discussion except to point out that as a result of what has transpired the province of Alberta did not accept the proposal made and has defaulted. And of course the effect will not be felt for some time. People who hold securities do not dump them on the market the next day or the next week or month; they await events. And it is the waiting on events that causes me to make a protest against a new proposal being made at this particular time.

Mr. DUNNING: It is to help Alberta that it is made.

Mr. BENNETT: I know, but it is a new proposal; and in dealing with financial matters, as I think the hon. gentleman will agree with me, there is nothing more destructive of credit than the lack of finality with respect to proposals that affect great bodies of people.

Mr. DUNNING: I agree, but my right hon. friend would be the first to admit that during the last five years arriving at finality, in finances, has been a difficult matter

Mr. BENNETT: That was exactly the point I was endeavouring to make, by stating that I could not quite understand why the proposals made were modified as they were, having regard to the change that is contemplated in the constitution.

Having dealt with the financial situation, and the proposals that have been made from time to time and that have resulted, I think, in what the minister has very properly described as manifest evidences of recovery and in low rates of interest for our borrowings, I shall proceed to discuss shortly the proposals which he has made dealing with the tariff. But before I do that I think I should say a few words with respect to the debt. The hon. gentleman pointed out the other day that in the last six years there has been an addition of $867,000,000 to the national debt. That is undoubtedly quite correct. But $65,000,000 of that was for capital expenditures, and under the public works construction act something over $38,900,000 was expended, the reason being that on all sides in this house and in the country there was a continuous clamour for a public works program. A public works program could come

into being only if the money were provided for it, and the expenditure amounting to $38,905,000 that is mentioned as part of the national debt was incurred for that very purpose. Then, of that total of $867,000,000, you have these two items: (a) Canadian National Railways, $264,677,000; (b) Canadian National Railway and indirect, including the steamships, $40,310,000; making a total of about $305,000,000 that was borrowed for the purpose of maintaining these properties. Then we have relief; that took $231,900,000, or substantially $232,000,000, more; and we wrote off dead assets, that is soldier settlement expenditure, $11,000,000. That gives us, of the whole $867,000,000, a total of $652,000,000, leaving the deficits to be responsible for the balance, after adjustments, of $212,000,000. That is a yearly average, as will be observed of less than $40,000,000, and if there is added to that the whole of the contemplated loss with respect to wheat, that would make a total average of about $40,000,000 per annum during the last five years, the balance of the money being for the purposes I have indicated.

That in itself, having regard to conditions in Canada, is not an unfavourable result. I should be glad if it had only been $4,000,000 or $400,000. But if in this vast country we were to keep people from starvation; if we were to care for the drought-stricken areas; if we were to take care of what at one time amounted to over 300,000 people in one province receiving benefits; if we were to carry on relief for men, women and children numbering at one time nearly 1,300,000 souls, there is only one way in which this could be done, and that was through the utilization, in the manner intimated, of the credit of the dominion. If on the other hand we were to endeavour to supply employment, as we did, because a broad public works program was urged by this house, that too could be done only by money expended for the purpose. So there you have it both ways. You have the addition to the national debt; you have that money being utilized for relief, on the one hand, and for work to prevent the necessity of relief, on the other. That is all I have to say with respect to the national debt, without going into it in detail as we may do later on. Of course there was also the enormous item in connection with the railways and the steamships, amounting to over $300,000,000.

I desire to make one observation only with respect to the question of the tariff. When in 1931 we enacted legislation creating the tariff board, those who are students of history and will take the trouble to read Hansard of that day, particularly the observations of the right hon. the Prime Minister, will see some reason why the ridiculousness of the attitude taken then is apparent in the light of the performance to-day. This will be found in part in Hansard of October 17, 1932, and a later statement of it when certain changes were being made. We were dealing with the old country tariff. Members of the Liberal party of that day said that it was a scandal to have the country come and appeal to the tariff board. By legislation passed this session, all may do this. The Prime Minister said: if one, why not all? It is a matter of principle, so he has given the privilege to all. Second, we had the idea that the tariff board could not make recommendations. It does not; the statute does not give them power to do so. The minister the other day referred to their "recommendations"; I have them under my hand; and, Mr. Speaker, the tariff board do not make recommendations; they do just what the act says; they find the facts and then they find the tariff which would be necessary to give to Canadians an equal opportunity with those from the outside who might be their competitors. Take, for instance, the automobile industry, reference No. 91. That matter was referred to the tariff board by the late government, not by the present government.

Mr. DUNNING: I said so.

Mr. BENNETT: Yes. The proceedings were protracted, and finally the board gave judgment. In that judgment they set out existing conditions and they set out what in their judgment would be a tariff that would meet the situation which was presented by the users of automobiles in the country. The governments of the various provinces were represented; others also were represented; they made their cases, and as a result the government has adopted that as its tariff to-day. I cannot find a single change in it. So far as I can see, the tariff as written in the resolutions with reference to automobiles is the judgment of the board as to the kind of tariff which it would be necessary to pass to meet the situation.

Mr. DUNNING: There is just one difference.

Mr. BENNETT: Which one is that?

Mr. DUNNING: The difference is the suggestion that the government should take power to increase the tariff. That suggestion—

Mr. BENNETT: I had reference only to the actual enactments and not to the question

of suggestions as to what might or might not be done. The government never take power by order in council to increase the tariff; they can always lower it, but never increase it. But the judgment of the board (a) as to the facts and (b) as to the tariff which should be enacted to meet the situation provided by the act, namely that Canadians should have equal opportunity with others, is found now in the resolutions that have been introduced in the house.

Take the next items, artificial silk yarns, forged steel rolls, rhinestones and metals, photographic appliances and equipment; all those are items that have been placed on the resolutions now before the house, and not by other than the tariff board's consideration. The tariff board that was so roundly condemned a few short years ago is now accepted as the proper tribunal to deal with this matter. I desire only to point out that with respect to gasoline, which was referred to the board by the predecessor of the present Minister of Finance, there is a masterly review of the whole situation, a finding of the facts and then a statement that a certain operation would bring about a certain result, namely the equalization, using the word in a broad sense, of opportunity between those inside and those outside this country. That is, owing to conditions to which reference is made, Canadians would be enabled to have an equal opportunity. But before I leave the automobile industry there is just one point that I desire to place on Hansard, because I think it is very important. The effort to secure lower freight rates is referred to, and in chapter V of this report they say:

> The board is of the opinion that the existing methods of distribution of automobiles in Canada are unnecessarily wasteful.
>
> In chapter IV of this report the board reviewed the condition with respect to the used car problem and indicated the seriousness of the situation arising out of the unjustifiable allowances made on second hand automobiles. The board, in that chapter, also mentioned that the losses made by dealers on the automobiles taken in trade tend to increase with the net amount of commission allowed on the sale of a new car and, from the facts before the board it is evident that dealers receiving high commissions are the ones most disposed to overbid on used cars traded in, with resultant demoralization of the market.
>
> It would appear, therefore, that it might be expedient for the automobile manufacturers, if they are intent on correcting the above abuses, to reduce existing discounts and to establish—after consultation among themselves—a policy of uniform all-embracing dealers' discounts which would eliminate extra payment to their dealers, referred to in chapter III, in the shape of profit on freight or handling and other charges.
>
> The board is of the opinion that the industry, if it would carry into practice the suggestions made above, would in time correct some of the major ills existing in the marketing of automobiles and at the same time effect substantial economies that should be passed on to the Canadian consumer.

Then they refer to the provincial governments and the representations made by them as to the necessity of having reduced transportation charges on cars to the respective provinces, and they say:

> The board indicated that the selling price in Canada of copper and lead of Canadian origin sold to automobile and automotive parts manufacturers is substantially higher than the price at which these same metals are being sold for export by the Canadian producers.

I see in the budget no evidence of any attempt to remedy that situation, and I think it is high time that it was remedied. I certainly made some effort in that direction, and the former Minister of Finance endeavoured to do so, but nothing except drastic legislation will accomplish that end. I think it is high time that we who are doing so much to assist the provinces and the dominion should see to it that there is no discrimination against Canadian consumers with respect to metals produced in our own country. That was placed very clearly before the board.

Then, in view of this finding, there is one other matter in connection with which I think legislation should be enacted at this session. This is not a new matter, and would have been dealt with last session but for the fact that the matter was being referred to the board.

> The board is of the opinion that wholly owned Canadian subsidiaries of foreign automobile corporations should be requested to publish annually their balance sheets and financial statements to the same extent as public Canadian companies. This seems to the board to be specially advisable in the case of corporations seeking and obtaining tariff protection for their products.

I think that can be easily accomplished by an amendment to the Companies Act.

Mr. DUNNING: That is under consideration.

Mr. BENNETT: Therefore, as far as the tariff items are concerned all those that bring about the changes to which reference was made, with the exception of one large item, are based upon hearings held before the tariff board. I now come to that one, namely, the question of agricultural implements. I ask you, sir, and I ask this house: Do you think it is fair treatment of any industry in Canada, however much you may have feeling arrayed against it, to say that it should not have an opportunity to be heard? When you set up a committee, charge it with responsibility, send these companies questionnaires, have

them spend large sums of money for the purpose of getting the information ready and then, without giving them any further opportunity, cut their tariff from 12½ per cent to 7½ per cent, is that fair? Is that the conception we have of fair treatment, when with respect to gasoline, automobiles and other items an opportunity was afforded to be heard before the tariff board? Why should the agricultural implement business be singled out for treatment such as I have described? That is what I ask, and I think it is a fair question because, during the period we were in office, I happened to see something of the figures of the enormous losses incurred by these companies and of the allowances they made to their customers in the dark years of the depression. To say now, after you have told them that they are to get busy and prepare their case for presentation to a committee, that without notice you are going to write down their tariff to 7½ per cent, while you give the automobile industry, the gasoline industry and other industries to which I referred an opportunity to be heard before the board before any action is taken, does not seem quite fair. Why should the board be disregarded in this case and relied upon in the others? Why should the board be regarded as satisfactory in the one case and disregarded in the other? Why should the government adopt all the recommendations, or rather all the findings, of the board with regard to these other matters and not refer the agricultural implement question to the board? The agricultural implement question was not even referred to the board; the agriculture committee undertook to deal with it.

I have no particular prophecy to make. I do not know whether 7½ per cent is too little; I think it is. But this I do know, that to discriminate in that way against that industry, which has incurred such losses in every part of Canada for the benefit of the primary producers of this country, is neither fair nor just. You can easily make appeals to prejudice; you can easily point to past earnings and to the fact that these industries have made a lot of money in times past. Is that any reason why they should be forbidden an opportunity to present their case to the tribunal created by law, whose findings have been adopted by the government? I leave it at that.

We now come to the question of the other change in the tariff, with respect to ink, paper, plates and various other appurtenances to advertising. I put this to the house: Is it just and right and fair that on a certain type of paper brought into the dominion for a certain specific purpose there should be a rebate of fifty per cent of the duty paid, and that we should ask the taxpayers of Canada to pay the balance? Is that right? If it is, then the government is to be commended. But when the government negotiated the United States agreement they lost over half a million dollars worth of revenue through the elimination of the tax on advertising. The minister put it at $600,000. I thought it was more than that, though I have made no further inquiries since. That is lost. We did more. We stopped, to some extent, the resistless propaganda that is carried on through these magazines and journals in this country, magnifying one form of government and deprecating another, leaving in the minds of the people the advantages that come from living in another country rather than in our own, the superiority and lessened cost of their goods as compared with ours. They create a distress, a suspicion and an unrest on the part of the Canadian people, through reading these advertisements. More than that, we have lost the revenue, and we have lost the benefits which came to us by reason of stamping down to some extent that ceaseless propaganda which went on in this country from south of the line, by lessening the circulation of the magazines. Now, that having been done, United States publications having been give free access to our country, what form is the compensation to take? Is it extended to all the people? It is not. Ink, paper, plates—all these are to enter at a lessened duty, and then when you turn to the last of the budget you find a rebate of fifty per cent on certain types of paper. I ask again: Is it just or fair that the Canadian people, as a whole, should be called upon to pay half the amount of the tax that is received from one who buys his paper outside Canada rather than in it? That is the question. I cannot think that is fair. I cannot think that is a just exercise of power. I cannot think it is right or just that the rich or poor, whoever they may be, should be called upon to pay half of the duty which one may pay who seeks to use paper made in the United States rather than paper made in Canada. It is true that the type of paper made in Canada is made by few manufacturers; there are not many of them. There is a firm in Quebec and one in Upper Canada near Fort William, the Provincial mills, which make this paper. But is it fair that the Dominion of Canada which supplies raw material for so much of the paper made in the United States and which supplies the greater part of their newsprint should rebate half of the duty paid by a magazine publisher to get paper for his magazine?

I am not unmindful that the mere making of this statement will probably single me out for attack. I am prepared to make it,

anyway. When the other day I saw part of the advertising in connection with this very propaganda to have the reduction made, and when I saw the photograph of an industry in 1911 and the great and magnificent structure in 1936, I did not give much consideration to the cries of poverty which will be put up by that industry, and neither would anybody else. I repeat that that is a feature of the budget calculated in every possible way to be unfair to Canadian producers.

There is another feature of the budget about which I should like to speak, namely countervailing duties. I do not make the statement offensively when I say that countervailing duties represent the cowardice of an administration not prepared to raise the duty. They are frightened, because they say that it is contrary to their general policy, although they admit that under the present budget they have raised the duties in some instances. But look at this: Eggs, cut flowers and potatoes are under countervailing duties. Yes, eggs, flowers and potatoes are under countervailing duties.

Mr. DUNNING: They have come back, after six years.

Mr. BENNETT: Yes; the eggs are pretty stale; the flowers are wilted and the potatoes have sprouted. Let us look at these countervailing duties. As between the United States and Canada, these duties were first set up by the United States and the effect of them was to destroy the market in nearby states for Alberta coal. Making it applicable to the whole country they said, "If a country has a higher duty than we have with respect to coal, then the coal which comes in from Canada must carry a higher rate." The result was that coal from Lethbridge was denied a market in certain parts of the United States.

We tried countervailing provisions in 1930, and now rather than raise the duty frankly, rather than just raise it and say, "Our duty is so and so on eggs, flowers and potatoes," what do we do· We say, "The existing duty is two cents on eggs, but inasmuch as you reduce your duty to two cents, we are going to have the same rate of duty as you have, which is ten cents a dozen."

Mr. DUNNING: That is all right.

Mr. BENNETT: With 130,000,000 people in the United States and 11,000,000 people in Canada? Countervailing duties existing between this country and a great people 130,000,000 strong, with climatic conditions about which we know nothing, a people growing flowers, raising potatoes and producing eggs! And, mark you, this applies to other countries as well. It applies to China. What is the duty on eggs going into China? Are we now to be supplied with Chinese eggs, such as we received some years ago? Is that to be done?

Mr. DUNNING: The right hon. gentleman knows better than that.

Mr. BENNETT: I do not; it is a fact. I know that in this country for purposes of production of confectionery large quantities of eggs came to Canada from China. So far I have been unable to ascertain what the Chinese duty is, but I think the Chinese duty is no higher than ours. Therefore, if the Chinese duty is nothing we shall be subject to competition from Chinese eggs at two cents a dozen.

Mr. DUNNING: In that case it does not change our duty in the slightest degree.

Mr. BENNETT: No, but what it does is this: It says that we shall not make our tariff, but that if the United States will place a duty of two cents on eggs we shall place ours at two cents, knowing all the time that congress has not been dealing with tariffs; knowing all the time that the president has no power to reduce the duty, and knowing that under the provisions of the law he can reduce it to only five cents. Is this not just a gigantic gesture which means nothing? The minister knows that the president cannot deal with the tariffs. He knows that congress is not dealing with tariffs at this session, and he therefore must know that this is absolutely nugatory, so far as results are concerned. The same applies to the 40 per cent rate on cut flowers.

The other day the hon. member said that we had left no tariff for the intermediate and the British preference, and neither we had. They were free. They were intended to be free, and 40 per cent was the general tariff. The United States was then under the general tariff. When we changed and gave the United States the intermediate tariff, the simple thing, having reserved our right to do so, was to place a reasonable duty against cut flowers and eggs. They have a 40 per cent rate against us. We are to have a 40 per cent rate. That is the position. Is that the idea of Canada's nationhood?

Mr. DUNNING: Because flowers go both ways; so do potatoes, and so do eggs.

Mr. BENNETT: Yes; I notice, though, that baby chicks are taken care of.

Mr. DUNNING: Because they do not go both ways.

Mr. BENNETT: They do not go both ways?

Mr. DUNNING: No.

Mr. BENNETT: I think that is hardly correct, but they do not go in substantial quantities. But to say to the Canadian people that we have to buy eggs from the United States and that there is a two-way traffic in them is a straining of words, because relatively speaking we buy very few eggs from the United States.

So far as cut flowers are concerned we have this simple point to consider: We have a country of which the major part is in the north temperate zone. In the United States are found varieties of climates, and as a result they can produce when we cannot. Eggs, and early potatoes at 75 cents—the minister and every hon. member must know that congress cannot deal with these, because congress is not dealing with tariffs at this session. The effect of this is what, so far as we are concerned? It is to place a duty of 10 cents on eggs, 40 per cent on flowers and 75 cents on potatoes.

Then we come to one further point in the budget, namely the statement made by the minister with respect to the mining industry. I want to ask a question with regard to a clause which comes to me as not a wholly new recommendation. A year ago the government of the day provided for the development of the mining industry by appropriating a million dollars for such development. But when the price of gold was raised from $20.67 to $35 per ounce, the government of that day, knowing that this was not a provincial matter and had been brought about not by provincial but by national happenings, took steps to collect part of the money, and did collect it. I know of no reason why one industry should be singled out for freedom from taxation. But for a moment let us see how the minister puts it. His statement at page 2386 of Hansard is a wonderful one, because it is so seldom one has an opportunity to read on the records of this house a statement of this kind. These are his words:

> I desire to add that as uncertainty of taxation is a definite deterrent to the making of new commitments in a hazardous industry, the mining industry may rely upon it that this government will not impose discriminatory taxation with respect to mines.

We will all agree with that. He continues:

> While the present government is in power, mining enterprises can depend upon treatment at least as favourable as that accorded to other industries under the corporation income tax.

Now I want to ask this question: Will the minister say that all other industries in Canada will receive treatment as favourable as that accorded to the mining industry? Will he say that? If not, why not? Let us look and see what has happened. Take the income tax imposed against the profits of a mine; whether it was rich or not, whether it had greater reserves or not, fifty per cent of the profits was free from taxation and the 12½ per cent corporation tax was reckoned only on one-half. That is, if the profit was $2,000,000, the tax was 12½ per cent on $1,000,000. But that was not all. When the dividend went into the hands of the shareholder, the shareholder before he paid his income tax, deducted fifty per cent from his dividend on the ground of exhaustion and depletion, and some of these mines, according to their own published statements, had reserves ample to take care of anything that might arise for from thirty-five to fifty years. So we cut the exemption down to 33⅓ per cent as regards the corporation tax and to 20 per cent on behalf of the shareholders, and of course we incurred much enmity for that. We were abused, and I think we paid a rather high price for it.

But, sir, let us have a clear understanding. Is it not right and just and fair that, so far as possible, everybody in Canada should stand equal under our taxation laws? That is what we endeavoured to do. I am wholly in accord with the minister's willingness to grant exemption from income tax at the start to those who may be engaged in this hazardous undertaking, but I point out that he must do something to prevent—he cannot prevent it but he must see to it that the provinces do—this wild speculation that takes place, which sweeps away the earnings of a lifetime and makes paupers in the end of those who speculate. I get letters every day, as the minister does, with respect to this, and surely something must be done about it.

Mr. DUNNING: I must say that the provinces are doing a great deal.

Mr. BENNETT: To start with Alberta; that province passed a law which was held intra vires by the privy council, and its action was followed by other provinces. This does a great deal to prevent abuses in that regard. But when a minister makes a statement of this kind:

> While the present government is in power, mining enterprises can depend upon treatment at least as favourable as that accorded to other industries under the corporation income tax.

The converse of that should equally be said, that while he is in office other corpora-

tions will receive the treatment as favourable as that accorded to the mining industry. That will involve the necessary investigation of the situation for the purpose of determining to what extent provision has been made by way of reserves and otherwise for the return of capital and the continued existence of the enterprise itself.

Now I come for a moment to what the minister proposes for the purpose of raising the revenue necessary for carrying on government. Two methods may be pursued: (a) economies, and (b) taxation. The minister may effect further economies, if they can be effected, or he can place the burden by taxation on the people.

Mr. DUNNING: Or borrow.

Mr. BENNETT: That is the same thing; that is what I mean by taxation. Or he may combine both. He said the other day that the government are investigating the question of economies. One of the first things that the late government had to do was to make investigations in connection with that very matter. But, Mr. Speaker, I am not at all impressed with the great sincerity of the government when the minister talks about the question of economies, for I hold in my hand the report of the civil service commission down to the end of 1935—I have not the report for 1936—and I find on page 9 how much we actually spent in this country to keep the machine going. In round figures we spent in 1925 and subsequent years the following:

| | |
|---|---|
| 1925 | $74,200,000 |
| 1926 | 74,600,000 |
| 1927 | 76,200,000 |
| 1928 | 82,300,000 |
| 1929 | 87,500,000 |
| 1930 | 90,800,000 |
| 1931 | 94,300,000 |

That is the year for which we did not budget, the year 1931 prior to March 31.

| | |
|---|---|
| 1932 | $92,500,000 |
| 1933 | 79,500,000 |
| 1934 | 77,100,000 |
| 1935 | 74,460,000 |

That was necessary to take care of a grand total of permanent and other employees of 38,946 in 1925, 45,581 in 1931, and 40,792 in 1935.

We did succeed in effecting some economies. We did succeed in making it clear beyond peradventure that the country was overstaffed, but I cannot seriously regard the minister's statement of his desire to effect economies when I find a position in the chief electoral officer's office which was vacant when we came into office, and which had not been filled because there was nothing to do, filled after the election of which Mr. Castonguay took charge by the son of the president of the Liberal Association in Ottawa. After the election he was appointed to that position as assistant to Mr. Castonguay. Can it be explained what he has to do? Can anybody tell us what he has to do? If for nine years there was no necessity for such an appointment, why has that appointment been made? Take the case of Brigadier Caldwell, who had taken his retiring allowance and was about to leave the service, who had taken his six months' leave. We find him appointed master general of the ordnance, a position which had not been filled since the death of General Morrison, and that was years ago.

I think the people of this country like myself will not regard these proceedings as evidence of any serious desire to economize. How many have been added to the service since October 23 last? It is true that this government has displaced nearly every man who held a position and could be displaced by appointing someone favourable to the administration. That we understand, and I am not complaining or cavilling at it. But how many additional men have been placed in positions in the civil service, and why should we discuss this question of taxation or economies until we have dealt with the great problem that is connected with economies? Part of these economies were brought about by the ten per cent and then the five per cent deduction in salaries. I recall that my hon. friends opposite complained in bitterest terms about that economy, but I notice that they continue the five per cent deduction this year by special enactment.

The point I desire to make is this: The minister is confronted with a crisis, and no one knows that better than I. I do not say this in any boasting sense, but I have a clear appreciation of the difficulties of the minister, and I sympathize with him and am willing to do anything I reasonably can to assist him in his difficulties. But I say this, that he has a stupendous task, and we cannot save Canada unless we are prepared to hew to the line and make sacrifices on a scale such as were made by the old country when they formed the government in 1931. I know that hon. gentlemen opposite with their great majority are in a position to do anything. Never in the history of this country has a government been so situated, and that is why I congratulate the first minister upon the steps taken at the very opening of the session with respect to all these matters. He had to do it.

When I say to the minister that in my judgment an eight per cent sales tax is one

which Canada cannot bear, I but reflect the opinion of at least two or three former ministers of finance. We all know that Mr. Fielding thought the country could stand a higher tax than six per cent, but he found out it could not and he had to get the tax back to six per cent. We know what succeeding men have done. The minister succeeded in reducing the tax to one per cent in 1930, but does he think the capitalist system can survive with an eight per cent tax? I think the hon. member for Winnipeg North Centre (Mr Woodsworth) must have rejoiced when he heard this budget, because he knows, as I know, that nothing will strike a greater blow at the whole capitalist system than an eight per cent sales tax. The price of small automobiles goes up $18. All we have to do is realize that the sales tax is one-third greater than it was. Just reckon up what that means. Hon. gentlemen have seen the operation of sales taxes in the provinces and in some of the states of the American union. New Jersey employed this tax and the city of New York imposed one to deal with unemployment relief matters. These were turn-over taxes; no matter if your purchase was only a cent, you had to pay the tax by means of a token. That was found to be an onerous tax, but one that produced large sums of money.

Can this country stand an eight per cent sales tax? In my judgment it cannot. I have given as much thought to this as I can, because I have no desire to interpose any objections to the efforts made by the government to do what it is so anxious to do, namely, to establish an equilibrium between income and outgo. But we must face the facts frankly. I do not see how this dominion from what I know of its economic structure, can stand an eight per cent sales tax. This is a tremendous tax. It is a tax which the minister's predecessors felt could not safely be imposed. It will be recalled that considerable discussion was held as to whether this rate could not be increased, but we got down to six per cent as the maximum. I am bound to say that there were those who suggested that the rate should be higher than six per cent. The former Minister of Finance, the Hon. Mr. Rhodes, looked into the matter with great care. I believe there are men in the department who believe that an eight per cent tax is sound; that the tax could be increased 33⅓ per cent, but I cannot see how this country under present conditions can stand an eight per cent sales tax.

There was one other tax about which I used to hear a great deal, the tax of one cent a pound on sugar. I wonder how many hon. members promised that that was going to disappear just as soon as the first budget came along?

Mr. HOWARD: We did not have to make promises the last time.

Mr. BENNETT: I am not discussing that phase of the matter now; I am only pointing out that that was so.

Mr. DUNNING: Nothing would give me greater pleasure than to put it where it was.

Mr. BENNETT: The minister has indicated in his answer just what I desired to say. At the close of his speech the minister said that the government were making a conscientious effort to grapple with the problem. May I say that he has no monopoly in that regard. For five years men quite as honest and almost as capable as he were endeavouring to deal with the same problem. In dealing with these problems, if it became necessary to have some certainty with respect to revenue, you must tax something that is of universal consumption and will produce a certain revenue. I agree with the minister when he says that nothing would give him greater pleasure than to remove that tax if he could, but he cannot. But I do not think this argument applies with respect to the eight per cent sales tax. There are other methods, which it is not my duty or privilege to discuss, by which the situation might be met. I can conceive of nothing more disastrous to the capitalist system; I can conceive of nothing that will impose greater hardship and difficulty upon the people of Canada than an endeavour to collect an eight per cent sales tax.

The allegation is made that our tariffs are going to be reduced in order to lessen the cost to the consumer. I have endeavoured to point out that that will not accomplish any such purpose. To the extent that business goes from Canada, to the same extent is lessened the ability of this country to survive. That is quite obvious.

The hon. gentleman has provided for a deficit with respect to wheat and oats extending over a period of five or six years. He knows as well as I do, that the guarantees given to the banks are against ultimate loss and until there has been a liquidation of these stocks, that amount cannot be determined. It must be determined when there has been an ultimate liquidation. The banks were willing to accept a guarantee which provided for the payment of an ultimate loss. Whatever that ultimate loss may be, this is not the time or the place to discuss what I believe to be the ill-conceived policy of the government with respect to wheat. I cannot discuss that at the moment as this may be done at another time. It is the ultimate

liability or loss that was guaranteed and until such time as that is determined, why anticipate it in this budget or in any other?

Mr. DUNNING: I assure my right hon. friend I have not anticipated an ultimate loss at all.

Mr. BENNETT: Yes.

Mr. DUNNING: Oh, no.

Mr. BENNETT: The ultimate loss cannot be measured by the taking over of the stocks by the new wheat board. It is provided in the act that the ultimate loss will come when there has been a liquidation of the final stocks held by the board. That is the position.

Mr. DUNNING: But in the meantime under the guarantee a definite loss has occurred which will undoubtedly be very much greater in reality.

Mr. BENNETT: But there is no loss under the guarantee until the liquidation of the stocks is complete. That is the position. I did not desire to interrupt the hon. gentleman when he was speaking the other day, but I recall vividly a discussion which I had with my colleagues in connection with this matter. We decided that it was an ultimate liability, an ultimate loss and not a question of the payment of a loss to be ascertained as you went along. The wheat is all pledged to the banks and when the stocks have been liquidated and the last payment made, whatever the balance may be is the balance for which we have assumed liability.

Mr. DUNNING: I hate to interrupt my right hon. friend, but the guarantee was with respect to loans to the wheat producers and that liability has been definitely established.

Mr. BENNETT: No, it has not been established for the simple and obvious reason that the statute itself provides that the wheat board shall take the place of the producers.

Mr. DUNNING: I wish it were not a loss, but I am afraid it is.

Mr. BENNETT: The loss may be much greater, but it cannot be ascertained until there has been a liquidation of the stocks. As I say, the wheat board has taken the place of the wheat producers and that is the end, until there has been a complete liquidation.

Mr. EULER: When the final loss is established it might be very high; should that all be chargeable to the one year?

Mr. BENNETT: It is chargeable to the country and it will have to be provided for when the ultimate liquidation takes place. That is the answer with respect to that.

One step more. The hon. gentleman dealt with the position of the provinces, but I am not going to do more than refer to another statement he made. He said that we had two problems before us, the problem of unemployment and the problem of our railways. He made that abundantly clear and I do not think there is a member who differs from him. He then pointed out that we loaned the provinces $116,500,000 and that that created a situation which required action and immediate action, too. I think most of us agree as to that. But when he dealt with the railway question he left it merely at the substitution of five directors for three trustees and referred to the bill.

Mr. MACKENZIE (Vancouver): Seven.

Mr. BENNETT: Yes, seven directors for the three trustees. He left it at that, with a reference to the bill which is now before the house. Let me point out that at page 18 of the Canadian National report there appears this interesting statement:

> Profit and loss statement, system net loss, $115,281,689.79.

That is substantially the same figure as the money loaned to the provinces, but that was the loss for one year. The net loss for one year is $115,281,689.79. The Minister of the Interior (Mr. Crerar) looks very much alarmed. If he will take the report and look up the statement he will see that it is as I have said.

Mr. CRERAR: Does that include interest?

Mr. BENNETT: No, that is merely the profit and loss statement, the largest item being debits for retired road and equipment, $29,000,000.

Mr. DUNNING: The budget deals only with cash deficits.

Mr. BENNETT: Yes, the Minister of Finance is correct; it deals with the cash deficit. The net loss, therefore, is $115,000,000 and we have loaned the provinces in six years $116,500,000. The problem of relief is, of course, closely allied to the problem of provincial financing; and with the relation of the provinces to the relief problem I have nothing to say at the moment, because that can be discussed on another occasion. But if the problem of the provinces with respect to this $116,500,000 is of transcendent importance, as it is, how much more important than all other problems is the problem of

the net loss of $115,000,000 last year in the Canadian National Railways? And what have we done with regard to it? We know what is to be done with respect to the problem of making good a deficit; we know that we are to provide for an eight per cent sales tax and a corporation tax. The corporation tax is a matter to which I should have made reference, for it presents a very serious difficulty to corporations having regard to the imposition placed upon them by the provinces in connection with collections which are now made against corporations in two or three of the great provinces with respect to taxes on the wage roll. In British Columbia, Manitoba and elsewhere, all these additional burdens—the fifteen per cent corporation tax which has been made retroactive to the beginning of the year, the tax of seventeen per cent in connection with consolidated balance sheets —are imposed upon these companies which are now faced with the collection of an eight per cent sales tax. To this matter I should have referred before.

But what have we done, sir, at the instance of this government, to solve the problem involved in the net loss of $115,000,000 in the railways last year? That is the problem. In view of the protestations and promises made from this side of the house by hon. gentlemen opposite when we were in office, I had expected that some legislation, worthy at least of the name, would be introduced to deal with the problem. But instead of that the major part of the existing legislation is left alone, while there will be substituted seven directors for the three trustees, ultimately, the minister says, largely for the purpose of getting rid of the chairman of the board. Is that the government's conception of its responsibility to the Canadian people in that regard? If it is, let it be known; let it be understood, for this is not something that is the accumulation of years but something that took place last year, 1935. I put that question to the government and to those who support them. They have the majority; they have the power, and I trust they have the inclination. Let them proceed to give effect to their inclination and they will receive the support of those members of the house who are interested in the solution of this problem, who are concerned about it, and who realize that the condition of the provinces to which the minister referred is but trifling as compared with the constant strain and drain upon our resources, brought about by conditions which I have indicated.

And we still go on in the same old way. No one seems to be greatly concerned about it, and if we suggest that the situation is critical, as we tried to do in days gone by, we are laughed at; if we speak about it as something that is critical, we are told it is purely political.

An hon. MEMBER: Hear, hear.

Mr. BENNETT: That is the idea of the hon. member. How can the people of this country ever appreciate this problem if members of this house, responsible members, say it is purely political.

I close, sir, with this note, because of all the problems confronting the dominion to-day there is not one that is so serious, none fraught with graver possibilities of disaster. There is not one problem more critical than that connected with the railway situation. This problem will not wait; it should not wait. A government fresh from the people and having shown courage to deal with some of the problems in the manner in which they have done, for which I have given them such commendation as it is possible for me to give, should not wait longer to deal with this problem. For it is not a problem that can be solved by the substitution of one man for another. It calls for a bold and determined course, to get to the very bottom of the matter, so that this country may continue, as the minister says, its progress towards recovery. It has made progress; that has been admitted by the minister in stronger terms than I would have used had I been indicating it myself. There is an indication of a reward of the efforts that men made during five long years when they gave their best to the state in which they live and which they serve. But we have now reached the stage where, unless we are prepared to deal heroically with the cancer that is gnawing at the very vitals of our national life, I do not think we can continue our progress towards recovery, and that for two reasons: first, because our credit will suffer and the minister will be confronted with difficulties the magnitude of which he contemplates but does not care even to mention; and, second, because it will bring disaster to confederation itself and destroy the very fabric of this dominion.

Mr. J. H. BLACKMORE (Lethbridge): In rising to take part in this debate I should like first of all to commend the Minister of Finance (Mr. Dunning) for this budget. I regarded it as having been carefully studied and very well arranged, and it was given to the house in good form and with a clear and pleasing delivery, which seems to be a rare thing in this house. I did not find in this budget evidence of that progressiveness of outlook which I believed the people of Can-

ada were justified in expecting of the Liberal party. There are in evidence no changes of policy for the future. The budget, I feel impelled to say, is reactionary and strictly of the old order. The great problem for us and for Canada at the present time is that of getting purchasing power into the consumers' hands. This budget actually is designed to take purchasing power out of the consumers' hands. This it does by an exceedingly painful sales tax, and we know that a sales tax is the most effective means of tapping, shall we say, the purchasing power of every individual, particularly the poor and those who are struggling with small incomes and endeavouring to raise families and carry on the responsibilities of life. It is precisely in this class that we must have the purchasing power. While I do not blame the Minister of Finance for getting money where he can, I deplore this as a definite means of taking purchasing power away from the very people in whose hands purchasing power should be, and, I contend, must be, if this country is ever to recover its economic stability.

I noticed that there was no plan designed to replace this purchasing power either immediately or ultimately. As I see it, the great thing we require at this time is monetary reform. I heard a good deal of the propaganda which our Liberal friends used throughout the last election, and read a good deal of what appeared in the press. As a result of all that I was encouraged to believe that there was to be monetary reform; that the Liberal party was committed to it. I therefore came here expecting to find that very early after this parliament assembled, definite and progressive steps would be made towards monetary reform. Either no such steps are being taken, or my vision is too thoroughly dulled to enable me to see them. Monetary reform must take two forms: First of all, a method of obtaining money without interest and without debt; second, a method of distributing the money so that it can get into the consumer's hands.

We are living among changed conditions. I deprecate therefore the tendency to continue as though we shall be able to get out of this depression, as people have come out of previous depressions, by natural, normal means. I feel distinctly alarmed, as the previous speaker also expressed himself, because I do not find evidence that we are in normal conditions. I find no evidence that we are, as Stuart Chase tells me that people were, in previous depressions; rather the indications seem to be that we are in conditions such as our fathers have never known.

[Mr. Blackmore.]

A number of men, I find, have a similar idea to this. May I draw to the attention of the house some studies which have been made recently in the capitalistic system. I hold no opposition whatsoever towards the capitalistic system. Just the same, we must be warned when signs of decay such as are here indicated are brought to our attention. Mr. Arthur H. Adams, in an article called Key Ratio to Balance, appearing in the American Federationist magazine, November, 1934, makes a definite contribution to the study of the present system as we are experiencing it to-day. He uses a fraction. He makes the numerator of that fraction the real wages of consumer goods workers, and the denominator he makes by taking the output per man hour. It is designed to be a scientific critical study of conditions as they are. He finds that real wages must increase as fast as productivity. Now, sir, this is the very condition which we find no longer exists in our economic life, either in the United States or in Canada. He finds that if his ratio, arrived at by his fraction, falls to 90 per cent the economic life of the country is in danger; if it falls to 75 per cent, the economic system is unworkable. In 1922 his ratio was 100, which is normal; in 1929 his ratio was 73, which was impossible, and in 1934 his ratio was 75. I neglected to say that these figures are based upon conditions in the United States. Our country is economically so closely knit to the United States that I assume conditions are very much the same here. He uses these words in commenting upon his findings:

> The unbalance we have reached this time is so big that natural or automatic restoration of balance, or recovery, cannot occur. The buying power of all consumer goods workers in the United States needs to be raised about 35 per cent on the average, and with no increase in their producing power, before an intelligent man should even hope for business to become self-sustaining at normal levels.

Hon. members will find the investigation described in Stuart Chase's fine book, Government in Business, at page 99.

Another student of the situation Chase says is a man named A. A. Berle, Junior. This man published his findings in a book called Liquid Claims and National Wealth, published by the Macmillan Company in 1934. He has an entirely unique and startling way of attacking the problem, but he feels that it is thoroughly worth considering. He discovers, in going back over past years, that the amount of liquid money existing in a community has a definite bearing upon the stability of that community. He finds, for example, that in

1880 sixteen per cent of the total wealth of the United States was liquid. Of course we all know that "liquid" means money which is readily available through bank deposits or through the sale of gilt-edged bonds and the like. In 1912, he found that twenty per cent of the money was liquid. In 1926 he found that the percentage was twenty-eight per cent. You notice, Mr. Speaker, a most alarming rise there, indicating that new conditions were developing the like of which man never saw before. In 1929 he found that the percentage was thirty-eight per cent; that was the year of the depression. In 1930 it was forty per cent. In 1933, notwithstanding the heroic efforts which were put forth to recover conditions in the United States, thirty-four per cent, or one-third of the national wealth, was found to be liquid. He makes this general observation, that if a country has fifteen per cent of its wealth liquid it can weather a depression, but if it has twenty per cent liquid its chances of weathering that depression are very slight. He makes this statement:

It was a stampede for liquidity which closed every bank in 1933, a phenomenon unheard of in any former depression.

This will be found recorded in the book of Stuart Chase to which I referred before, at page 102.

Another interesting study of this situation, scientifically conducted, is that by Professor Rautenstrauch, of Columbia university. He approaches the question again from another most unexpected angle; he finds that in 1917 producers among the workers of the United States comprised sixty-three per cent of the total employed. That is, the farmers, the miners and the men who were producing totalled sixty-three per cent of those employed, and they received one-half of the national income. But in 1932 see the surprising change that has taken place; he finds that fifty per cent of the employed were producers and that they received only one-third of the national income. In other words the producers had dropped from sixty-three per cent to fifty per cent of the total employed between 1917 and 1932, and instead of receiving one-half of the national income they received only one-third. This is an alarming change in such a few years, and again indicates that it is doubtful whether we can get out of this depression by normal means. Professor Rautenstrauch according to Chase has this to say:

In other words, in 1917, when producers got one dollar for making goods, overhead people got another dollar for the various services leading up to the sale of goods to the consumer. But in 1932, when producers got one dollar, overheaders got $2.30. In 1929 they got $1.60. Overhead costs marched rapidly forward during the 1920's, and broke into a run with the coming of the depression. Business on the down grade; overhead on the up grade—Here is abundant evidence of shocking management.

If the ratios between direct and indirect labour were about right in 1917, to recapture them we should now need to:

1. Shift 12,300,000 more workers to the producers' group.
2. Increase producers' income about 56 per cent.
3. Increase farmers' income about 216 per cent—as their proportionate share in the producers' group.

Again, Mr. Speaker, this outline was discussed at page 104 of Stuart Chase's book Government in Business. Let me repeat that according to Chase the article I have just read was by Professor Rautenstrauch, entitled Who Gets the Money, appearing in Harper's Magazine in 1934. This is a serious situation indeed. It does not by any means indicate that hon. members on either side of this house are justified in taking this matter calmly. Rather it indicates that we should be bestirring ourselves with a great deal of energy, not expecting to go sliding along on a laissez faire policy. Unless we bestir ourselves we are going to be held accountable by an indignant people who sent us here to make things right.

Now let me refer to another serious matter which has been discussed in this house many times. I refer to technological unemployment. I have a number of excerpts dealing with that question which, with your permission, sir, I should like to quote. The first comes from Stuart Chase's pamphlet Technocracy, an Interpretation, at page 15:

From 1912 to 1917 the Buick Motor Company increased its production 1,400 per cent and its labour force only 10 per cent.

I intend to quote these excerpts, which I have found at random in my reading, because a number of people are disposed to smile at these changes which have arisen, thinking they will pass by. These signs which I have found do not indicate any justification whatever for any such optimism. In The Problem of Unemployment, at page 122, Paul H. Douglas says:

There were in 1929 approximately 500,000 or nearly six per cent fewer wage earners in manufacturing than there had been a decade before, while there were 300,000 or 15 per cent fewer workers on the railways.

Notice that these figures are taken from the period before the depression; consequently we must look upon them as being drawn from normal times such as we hope will return. My next quotation is from Stuart Chase's

book Men and Machines, at page 210, where I found the following words of interest:

The decline in 1929 registers over 2,000,000 and all recent counts of factory workers show a greater output with not only relatively, but absolutely, fewer men. For a hundred years every census tabulated an increasing number of persons employed in factories; now suddenly since the war, with an increasing population, there are fewer persons in factories. Something cardinal has happened; some mighty corner has been rounded.

That is exactly my contention. Let us be well advised before taking too much for granted. Something cardinal has happened; some mighty corner has been rounded. The next extract which I found of interest also comes from Stuart Chase's book Men and Machines, at page 210:

Evans Clark in the New York Times shows the phenomenon by index numbers.

| | Factory employees | Production |
|---|---|---|
| 1914 | 100 | 100 |
| 1919 | 129 | 147 |
| 1924 | 116 | 158 |
| 1927 | 115 | 170 |

Production sailing upwards; employees dropping since 1919; with 1927 less than 1924. Between April, 1923, and April, 1928, more than 1,250,000 factory workers were permanently laid off, according to a recent survey of the United States Department of Labour.

Again there is evidence of some mighty corner having been turned. Then, from page 209 of the same book, I read the following:

Again it is agreed by all competent economists that purchasing power has not kept step with invention. Purchasing power is the final arbiter of all jobs under the prevailing financial system. Unless prices fall as fast as labour saving devices increase, the saved labourer must whistle for employment. With a static price level, he will have to keep on whistling. Prices have not been declining rapidly in recent years.

At six o'clock the house took recess.

## After Recess

The house resumed at eight o'clock.

Mr. BLACKMORE: When the house rose at six o'clock I was proceeding to show how changed are conditions confronting us from those which confronted our fathers when previous depressions occurred, and I was making reference to the technological unemployment which exists in our civilization to-day, largely as a result of the development of machinery. I had cited evidence from certain authorities to show that we had turned some mighty corner. Going on with the evidence to bear out this contention let me cite the following from page 214 of Men and Machines by Stuart Chase:



Mr. Ethelbert Stewart, a most qualified observer, sees the higher level of unemployment in the spring of 1928 as perhaps only the beginning of a more or less permanent unemployment, because a growing number of industries are equipped to produce more than consumers have money to buy, together with the supplanting of workers by machines.

Quoting again from page 214 I read:

Mr. Horace Taylor is sure that "all evidences point to a steadily increasing technological unemployment," and many competent economists agree with him.

Before I proceed further may I point out that a considerable amount of disagreement exists, and there is a tendency to quote one authority against another. Making all due allowances for all just differences of opinion I believe we are safe in assuming what the testimony of these men tends to bear out. Quoting from Technocracy, an Interpretation, page 30, I read:

The automobile industry created 4,000,000 new jobs out of thin air. There is no such industry on the horizon.

In other words, although by reference to certain industries such as the automotive industry, we can see some evidence that new machines create new jobs—and a great deal of argument is adduced to show that this is so far true as to justify a great deal of optimism—notwithstanding that fact, unemployed continue to exist in terrifying numbers.

As an example of a man who argues that increased machinery does produce new jobs we might mention William J. Cameron of the Ford Motor Company, whose article is printed at page 4 of the March 25 issue of the Christian Science Monitor. His message is that going back over forty years the evidence tends to show that machinery has increased the number of jobs. It is strange to observe that against this man's contention all the evidence I have cited to-night bears overwhelmingly. It may be true that a large number of new jobs are created by new machinery. For example, when the automobile business developed we know the garage business had a corresponding development. But we shall find that the displacement of men is not equalled by the replacement of men. So frequently do the new jobs require so little of men's time and so quickly are machines developed to take the place of men that I feel quite certain we are justified in going forward upon the assumption that there will be in our civilization a permanent technological unemployment which must be met by adjustments in our economic behaviour sufficient for the occasion.

Another serious evidence that we are in a changed condition is to be found by reference to agriculture. A few days ago I made a citation, but there were so few in the house I shall impose upon the good nature of hon. members to the extent of reciting it again to-night. Quoting from Government in Business by Stuart Chase I find this startling information at page 39:

> Even in such a prosperous year as 1927, "Recent Economic Changes" shows a net loss of $1,717,000,000 to farmers as a class, a loss enormously accelerated by the depression. Agriculture has failed as a self-sustaining sector of private business.

If these considerations I have adduced are not sufficient to show that we are living in changed conditions which have brought upon us an alarming new situation, then I simply have not the power to draw sound conclusions. Notwithstanding all of this there is no cause for great alarm, provided we go forward to meet the situation calmly and sanely, and do not assume that it will right itself. Although the patient is desperately sick it is possible to perform an operation which will save his life, if we approach the problem in time and with sufficient skill.

In the first place there is no need for poverty. Throughout this dominion, sir, there is absolutely no need for it, and any government which continues to permit poverty either does not know what to do or is not trying to find out. We have plenty of food; we can produce, in greater abundance than we need, practically all the food we can consume. Lately I have found among hon. members the disposition to argue academically about this matter. But on this occasion let us appeal to common sense. Is there any hon. member who questions that Canada can raise all the wheat she wants? Not a soul. Does anyone question that she can produce all other grains she needs? Not a soul. Or that she can produce grain products such as flour, oatmeal and the like? Not a soul. It is absurd to make such a suggestion, is it not? Will anyone argue seriously that we cannot produce all the beef, pork, mutton and other meats that we need? It is absurd to raise that question, is it not? Will any person doubt our ability to produce all the dairy products such as butter, milk and cream that we need? If we were unable to do so we would find the prices of these products at something like a living rate, instead of at a level so low that they are driving men out of production. Will anyone seriously question our ability to produce all the potatoes we need, or to produce all other vegetables we require? Can we not produce the greater portion of the fruits we require? While we are not so abundantly equipped for the production of fruits, yet our production is surprising.

Turning from that to clothing we know that certainly we can produce all the woollen goods we require, all the shoes we need and a wide variety of other articles of clothing. Therefore there is no need of any lack of clothing, even if there are some things we cannot produce. Will anyone seriously question our ability to produce all necessary shelter? We have an abundance of building material, and no person would attempt to question our ability to build. Right here in this Canada of ours all we need is to set men to work to produce those needs. Is there anyone who will seriously question our ability to produce all the fuel we need to keep us warm? Think of the vast coal fields of Alberta and other sections of the country. It is simply absurd to suppose that we cannot produce all the fuel we need in Canada. Again, we are able to produce all the entertainment we need. Why should our people go without entertainment in this country?

I turn to education and culture. Surely we can get in this dominion all the education we want. We have our teachers and our schools. Why cannot we get all the education and culture we need in Canada? It is here, and what we have not here we can soon get through the intelligent people we have.

Again, our transportation facilities are abundant. No one should want for transportation in this country, equipped as we are.

Take health and other services. The means of obtaining these things are here. Numbers of men are to-day unemployed who could doctor our children and do their dental work. Why should we not have health service?

I contend, Mr. Speaker, that in the light of present day conditions it is utterly absurd that we should even seriously contemplate the idea of having poverty in this land. The question is: How are we going to proceed to the solution of the difficulty, because there are manifest difficulties in getting this plenty available? There is a reason why. For a number of years we have been much concerned over the causes of this depression, but most of the authorities whom I have read are now agreed that the cause of all the trouble is money. It centres right around that one thing, money, and the question how we can get the money, and, second, how can we get it into the hands of the people who need it, are the two great questions that face this parliament and the country to-day. Most of the men whom I have studied are of opinion that we can have national money issued nationally. If we are afraid to issue national money lest the banks

might get it, and on the basis of that national money extend credit to dangerous proportions, thereby risking inflation, we can issue national credit. May I quote a few statements from a man whose standing must be recognized in this house. I know that a great many members look with a certain amount of indulgence and smiles upon the social credit people, thinking us somewhat crazy, but I am now going to quote someone whom I think everyone in this house will treat seriously, the Hon. Robert L. Owen, senator of the United States, living in Washington, D.C. He has been, I am told, director of a United States bank for forty-six years, and president of a bank for ten years. There is a man, I submit, who ought to know something of what he is talking about, and the words he utters we can safely give credence to. In his article entitled, Money, appearing in the Instructor for April, 1936, I read on page 54:

> It is the failure of governments to discharge their constitutional duty of regulating the value of money, including bank money, which has caused the enormous disaster from which we have recently suffered.

This gentleman is prominent in the monetary movements of President Roosevelt. While many may question President Roosevelt's wisdom, we may one day wake up to find that he is a long way ahead of anyone else in the Anglo-Saxon world in the matter of monetary reform; at least, there is a serious chance that he may be so. I quote from the same article, at page 60:

> When one-half of our money supply is destroyed, it means that one-half of the market price of American property is destroyed. It is of supreme importance that the administration and its advisers should clearly understand the necessity for expanding the money supply until working capital is made available to the small business enterprises in sufficient volume to restore to employment the unemployed millions who still walk the streets unable to sell their labour at any price.

Again, at page 87, I read:

> When the government creates an adequate supply of money to furnish all the working capital required by our people for transacting the business possible in this country, under favourable circumstances, there would be available the money that is needed, with which to employ all employable people and pay them good wages for reasonable hours.

Again, at page 92, I read:

> A study and the understanding of money, how it is manufactured, and by whom; the study of constitutional money created by governments and how governments can regulate its value, is a solemn patriotic duty resting upon every adult citizen, more particularly members of governments, federal, state, provincial and municipal.

[Mr. Blackmore.]

There is no doubt in that man's mind, is there? I contend that the solution of the problem which confronts us lies somewhere along the path of money. I know there is a good deal of easy merriment about the matter and a good deal of discussion whether it would not produce inflation and all that sort of thing. It is a good deal like irrigation. I come from a land where they irrigate. Unless you are careful in applying the water to your land, you will wash your young plants away and destroy your soil, but if you use irrigation as it should be used, expertly, wisely applied, it is a blessing. It gives the plants just the thing they need to grow. It is so with money power. If you use it with wisdom it will do no harm; it will be a blessing. Only when unwisely used does it cause trouble.

Of course, in order to make sure that this inflation or abuse of new money will not occur, the banks would have to be controlled to prevent inflation. I maintain that one of the duties of this government, a thing which I expected it to do and which it may yet do for all I know, for the session is not yet ended, is to appoint a banking commission to investigate the whole banking situation and determine the absolute truth about our money needs, so that the government may be prepared to handle banking and money scientifically. In addition, I think this government should begin to plan and encourage industry where industry is needed. There are many processes which could be introduced into this country. Processing plants could be established that would be of manifold advantage to the Canadian people, producing the things we need. There are for instance, the potato processing plants that I referred to the other night. Think of the tremendous advantage that coal processing would be to those coal areas where miners are to-day languishing in unemployment. It would change the whole aspect of the country, and we should be able to produce an abundance of goods which we are now importing, thereby helping to bring upon ourselves an unfavourable trade balance. We could introduce more sugar factories, but all I have seen anyone do since I came here is to put blocks in the way of the sugar industry. Canada produces only fourteen per cent of the sugar she needs. Where would we be in case of war? Why should we not ourselves produce all the sugar we need, in case of difficulty? Why are we not doing this? Those are just a few samples of what we could do. There are mills for processing trees and pro-

cesses of many other kinds which would enable us to help ourselves and help us use a new money system more safely.

Why should we not have in this country a Canadian Brookings Institute to provide us with the actual economic facts about Canada? You cannot quote in this country a book that people will accept because there is nothing to tie it up to, and so we have to quote from figures in the United States. I say that that condition does not reflect credit on the Canadian people. We have men in Canada intelligent enough to find out these things for ourselves.

Having once established a system of getting new money, I contend, Mr. Speaker, that the day is coming when we must unquestionably have scientifically planned methods of getting the money into the hands of the people. I know there are plenty who laugh at that kind of thing, but before I sit down let me quote one set of figures to show that the thing is not quite so silly as it might at first appear. If you turn to page 49 of Stuart Chase's book, Government in Business, you will find, according to his figures, that the United States already had 51,000,000 of its total population receiving money from the government directly or indirectly right then. We are rapidly approaching that condition, so why should we not organize on a scientific basis so that we can effectively give men purchasing power? How else are we going to get into their hands consuming purchasing power? The day will come when we shall look back at this time and wonder how we could have been so short-sighted as not to see that distribution of consumer credit was the solution for our problem. We should be taking measures to find out the exact conditions in our economic and national life and we should be preparing ourselves for the production of new money nationally created, nationally backed, so that it will be sound money, and nationally managed in the interests of all the people of the country.

We should be prepared to distribute purchasing power to the fullest possible extent by giving people work, yes, through reforestation, the building of roads, the erection of great public buildings and that kind of thing. But still the day will come when there will be vast numbers of our people who can never again be profitably employed and we must be prepared to give such people purchasing power through the direct issue of purchasing power. You may call it $25 per month, dividends, or anything else, but that must be done. These are the suggestions I offer. We should take forward looking measures and not depend upon laissez faire and the hope that in some way we may grow out of this condition. I contend that we are suffering from a malady out of which we cannot grow.

Mr. WILLIAM HAYHURST (Vegreville): Mr. Speaker, before I begin I should like to quote a few words of the Minister of Finance (Mr. Dunning). He said that extremes defeat their own purpose and that violent fluctuations one way or the other are mere leaps in the dark. I know there are many people who consider that the great province of Alberta, of which some Canadians are very proud, is making an experiment which is a mere leap in the dark. The Minister of Finance also said that he was not an alarmist, that on the contrary he was confident that common sense and sound economic policies could solve our immediate problems. We believe that the proper solution to our problems is different from the solution suggested by the orthodox economist, those to whom the previous speaker (Mr. Blackmore) referred to as laissez faire economists. I believe in the integrity, honesty and good judgment of the Minister of Finance and of this government, but the world has progressed and, as the previous speaker has said, we are living in a new age. New times demand new measures and new men.

When the Minister of Finance referred to leaps in the dark which would be unwise to take, possibly he was thinking of untried experiments in finance. That is quite likely as he is the Minister of Finance. The greatest experiment being attempted to-day is the one being tried in Alberta. We wish to see that experiment succeed. We do not believe that all people are equal. I have heard it said by some in this house that giving dividends to all citizens would make them equal with each other; that to do so would be attempting to standardize humanity. We do not believe that all people are equal, neither do we believe that is is possible to give an equal opportunity to every individual. This cannot be done because of the fundamental difference in individuals in their capacities for taking pains, which is genius. We differ according to our genius and ability.

However we do believe in removing poverty and distress by giving dividends to everyone irrespective of whether they are poor or rich. We do not believe in making fish of one anc fowl of the other. According to biologists all living things furnish an infinite variety of form. If you observe the dandelion on the lawn or by the wayside you will see that no two are alike. People say that persons or things are alike as two peas in a pod, but we

know that no two peas in any pod are alike. There is a tremendous variety of form in all living things around us and we believe that all people are different. Because we believe this, we believe in removing the stigma of poverty or the dole from people so that they may be able to develop their own initiative and personal welfare, become real citizens of this great Dominion of Canada and contribute something to the greatness of our country.

Modern education realizes that all children are different, and we are proud of this. I have a family of my own and I know their individual differences. The natural capacities and attitudes of each individual should be developed to the full. That is the new education, and because it is the new education, we need a new economy and a new line of thought entirely different from the old. We believe that the payment of dividends will permit a greater choice of professions. Thus, the talent to be found in our young people will be given an opportunity to express itself. Poverty must be abolished so that the activities of mankind may have an opportunity to develop themselves in a more varied way than they have in the past.

The urge is to push back the frontiers. The mysteries of science and the wisdom of philosophers will ever challenge our mental capacities. We should try to abolish toil and drudgery. That is what science is for. Every little tool ever invented was invented in an effort to remove toil and drudgery so that our lives might be made more attractive. Life is made less sordid when our environment is cleaner, broader and happier. Initiative and competitive spirit will find an outlet in better production.

Social credit, which is not mentioned very often in this house, will not pave the way to a loafers' paradise, as so many people would have us believe. Some people hold the view that men will not work simply because they are receiving basic dividends, but labour will always be required to attend to the machines. Social credit will lead to more leisure, which in turn will bring about an increased production in necessities and luxuries. The social credit movement aims at economic security for every man and woman. Once the hazards of our physical maintenance are removed we shall be able to develop our individual differences unhampered. It has been stated by the members of the government, especially by the Minister of Finance, and by the leader of the opposition (Mr. Bennett), that a tremendous change took place in the financial world between October, 1929, and October, 1930. Is it reasonable to assume that the world was suddenly impoverished in those years? It is well known that for every loaf of bread which was baked we could have baked four. There was a surplus of practically every form of goods and there was also sufficient machinery idle to have increased the supply of goods threefold. The main trouble was that the purchasing power of the people had been largely destroyed.



The question is often asked: Where is the money to come from? Why should there be periods when there is a great insufficiency of money or purchasing power in the hands of the people, in these days when money is mostly paper in the form of cheques and bank notes? Money that is created by banks is usually called bank credit; it represents merely figures written in a book. There is no value in money of itself. Its proper function should be that of tickets to purchase goods, and the number of tickets to be created should be in precise ratio to the quantity of goods made for the people. The tickets would thus serve industry and the number would rise or fall in proportion to the amount of real wealth produced.

The first step in setting up the necessary machinery would be the establishment of a national credit account. We have heard nothing from the government about the establishment of a credit account, which is absolutely essential if we are to have a new and better economic and social order. This account would give an estimate of all the nation's real wealth as represented by buildings, factories, railways and the capacity to produce. Money is the life-blood of industry and should be taken from the control of private individuals and handed back to the state, and the state should appoint experts to carry out the will of the people. Political democracy without economic security is a farce. The fact, which has long been obvious to a few and is now being recognized by many, is that the industrial nations are suffering poverty and insecurity in a world of enormous physical wealth simply because the incomes of individuals are too small to purchase goods. Modern power production with the wonderful machinery of to-day could supply the wants of everyone. Producers cannot now sell their goods because the incomes of the majority of people are not large enough. Incomes cannot under present conditions be issued fast enough to enable people to pay the prices asked for the goods produced.

The immediate need of the people to-day is a national dividend to enable them to purchase the plenty and security which money can buy. It has been proven conclusively, I think, by the previous speaker that an age

of potential plenty is at hand. Real wealth is possible immediately, but we are cheated out of our heritage, like Esau with his mess of pottage, by a faulty economic mechanism. Money in itself is worthless; it derives its value only from real things. If there were no real things for sale, things that people desire, money would be actually worthless. Does anyone deny that there is an abundance of real wealth, food, shelter, clothing and services, or at any rate that real wealth can be produced? The main purpose of production is to satisfy human needs as long as our productive powers permit. In this day of plenty the problem of production has been solved. Our financial system provides the means of distributing the things we produce; it regulates the distribution, collection and cancellation of money. The earliest distribution of goods was conducted on a barter basis; that is, goods and services were exchanged for goods and services. In time, however, we find a series of currency tokens. At first these tokens had an intrinsic value—cattle and gold, for instance—but such tokens eventually gave way to tokens without intrinsic value, which nevertheless can readily be exchanged for goods and services.

The trouble with the present financial system is that the ultimate control of money rests with the banks. In the Encyclopaedia Britannica there appears this statement:

> Banks lend by creating the means of payment.

This is a significant statement. They do not merely lend the means of payment but create it. Banks control the supply of cheque money and make it plentiful or scarce at their pleasure. Naturally moneylenders do not wish the people to be well off because they might cease to borrow; and what is worse, these financiers buy and sell money of other nations. They realize that people must have money and it is in their interest to keep it scarce. In times of inflation such as 1929 the banks were able to create nine or probably ten times as much new money as there was on deposit. The Right Hon. Reginald McKenna, in his book with reference to post-war banking policies, says that the amount of money in existence varies only with the action of the banks. This simply means that they are able to create credit at will, and as this credit performs the functions of money the bankers have the power of creating and destroying money at will. We are not opposed to bankers; they are men like ourselves. But we want them to carry out a policy which will be in the interests of mankind in general.

Credit should bear an accurate proportion to the amount of real wealth; but financial credit as we understand it, that is debt, does not do this. Credit which is provided by the modern financial institutions, and which is commonly called financial credit, is really debt credit. The monopoly of credit by the financiers should cease. These monopolists wish to keep the supply of credit and money scarce so that they may charge interest on it. Because the bankers control this money they are the real rulers. It is time the community took control; Canada should control its own credit. The credit of Canada, which needs no financing, may be called social credit. The attempt made by international financiers to gain control of the world by financial means, through the setting-up of international banker settlements, should be stopped. The Canadian people should be given their economic freedom and control of their own credit. Greater liberty and security would thus be given all the people. Canada could become overnight rich beyond the dreams of avarice. We have the potential capacity, the sources of supply; all we need is to control credit in the interests of all the people and not of a few.

It is evident that our difficulties lie not on the productive but on the financial side. Why do nations search for gold? I know in the budget speech it was said that this government will not propose discriminatory taxation with respect to mines. Of course we want all possible encouragement of enterprise in the development of mines. Under social credit gold because of its export value is just as valuable as under any other government. The minister stated:

> While the present government is in power, mining enterprises can depend upon treatment at least as favourable as that accorded to other industries under the corporation income tax.

It seems strange that nations should search for gold as they do, presumably because they believe gold gives more backing to currency expansion. Of course we know that even in Canada that is a fallacy. Periods of prosperity have always been coincident with new gold discoveries or produced by increasing the amount of currency relative to the amount of gold. Gold being a scarce metal has tended to make money tokens scarce. Currency manipulators who are interested in international finance and in the manipulation of currency and credits for their own selfish benefits are attempting to wreck a scientific age. Discoveries of gold have made nations rich, but surely the purchasing power of our people should not be subject to chance.

Gold or any other metal is a poor basis of money, because the value of money is governed by its quantity, and the quantity of paper money issued can be readily controlled according to the real wealth of the nation. Each nation should control its own credit and currency, and this should be issued in proportion to its production.

Possibly the greatest curse which has operated to control trade in the past has been the gold standard. It has been said that the gold standard is the basis of hatred; it begets war. It has been said that you might as well talk about a standard of love as talk about a standard of gold. It would really be better to call it a standard of hatred. It is a standard of scarcity, and because nations want to keep goods within the nations scarce, and export their surplus, very often they go to war with their neighbours to create markets. That has been the work of a few financiers interested in the creation of debt in all countries. Upon no subject are the people as a whole so blissfully ignorant as upon that of finance, by which the wealth of money-lenders is increased at the public expense. Money should be controlled by the people of a state in the interest of all its citizens. Why give the control of the blood-stream of society to a few to use it for their own personal and selfish acquisition of power? The happiness of the citizens of any nation depends upon the policy of those in control of its credit, and that nation wherein the control is exercised for the good of the people will become the greatest nation in the world.

Mr. ISNOR: I wonder whether the hon. member would give us a short definition of just what he means by "credit control."

Mr. HAYHURST: That is something which is very subtle. For instance, we have the idea of a national government controlling a national bank. I do not know what the Liberal government proposes to do with regard to this national bank, but I understand they are going to bring forward a measure to buy fifty-one per cent of the shares. The bill has not yet come before the house, so I cannot speak with certainty, but fifty-one per cent of the shares would enable them to control the group of men who will sit at that caucus table, and through them, direct banking policy. We believe that the government should control the men who sit at that table. They should employ experts in finance who will control Canada's finances in the interests of the people. They should build up a national credit account, an account which will show all the imports, all the production of the nation, all the real wealth of Canada, and put it down in a book, much as was done in the Domesday Book in England away back about 1086. The real wealth of the nation is shown on the credit side of the account, and we should constitute what we shall call a debit account on the other side. I may say that we did not hear anything in the budget speech about either a debit or a credit account. The debit account would record all the real destruction of property as it goes on to-day; it would show also our total exports. If at the end of the six months' period we had not more goods or a greater supply of real wealth than we had when we began, there would be something wrong with us as Canadians. We should have a greater capacity of production as the years go by and our credit power grows and develops. The balance would be the difference between real consumption and real production, and the surplus would be given to the people as a dividend, so that they could purchase the overplus, or the supply which to-day is destroyed.



Mr. ISNOR: May I ask the hon. member one more question? If I understood him correctly, he stated that credit control must come through the Bank of Canada.

Mr. HAYHURST: No, I did not say it came from the Bank of Canada.

Mr. ISNOR: The hon. member built his whole argument round it.

Mr. HAYHURST: I am going to answer the hon. member's question if possible. I say: If the people of Canada demand that the government of Canada control the policies of the banks, and if the people get behind the government, then they can control banking policy, because their representatives would not dare to oppose them. If the people of Canada demand a dividend they can get it, because they could elect enough people to see that that policy is carried out according to the real principles of the new economics. It is a unique opportunity for every person to get behind the movement for the emancipation of the people from the present money control. Orthodox economists call us heretics. Probably we are. In days gone by there were religious heretics; there were also political heretics; our fathers had to fight for political and religious liberty. But the greatest battle is still to be fought and won; it is the fight for economic liberty.

Think of who control the finance of Canada to-day. Have hon. members considered that wealth is more and more going into the hands of a few people? That being so, how can one expect to raise the standard of the people who are living in poverty and distress?

Dozens of them call at my home in the city of Ottawa, the capital city of this great dominion, asking for the bare necessities of life. There is plenty of wealth in Canada, but it is controlled by a few absolutely for their own welfare; they pocket the dividends. I am sorry that the Minister of Finance did not put a larger tax on some of the biggest incomes.

If each nation would control its own credit and its own monetary policy, it could be rich, in terms of real wealth, beyond the dreams of avarice. Skill in every human endeavour is wealth just as much as the farmers' wheat and the bakers' bread. The economic difficulties of the present time are largely due to the lack of the occupations for which many young men and women have spent time and money in training themselves. The previous speaker mentioned educational systems. Not long ago I read in the press that McGill university needed money in order to enable its young people to get a better education. There is the university; there are the professors; there are the young men and women, but they need money in order to provide an education. It is a tragedy that men and women at this stage of life should have their hopes shattered and their enthusiasms broken for lack of money. This would naturally lead us to the conclusion that there is something fundamentally wrong with society as it is constituted at the present time.

Possibly the subject least understood, because in past years it was considered a sacrilege to question it, is the subject of money, which controls our education, our life work, and which causes untold suffering through fear of insecurity, poverty and an old age unprovided for. Money is so vital to our welfare that the question of its control is the most important subject facing mankind to-day. Money may be said to exist in three forms, coin, notes and credit, of which a bank cheque is the most familiar example. Nine-tenths of all the world's money consist of credit of one kind or another. Control of our bank credit should be vested in the people, and the struggle for this control is the great problem with which the people of all modern nations are confronted. We have fought for our personal freedom. In the United States they had to fight in order to free the slaves. I suppose, sir, your ancestors were practically serfs; I know mine were. To-day, however, in the new age in which we are living, with the development of machines and so on, all that need not exist. In a degree we have obtained our political freedom, as hon. members know, through the reform acts of Great Britain as they have been applied to Canada. Our men and women have been given full voting privileges, but to-day we must fight for our financial freedom. The great bankers of the world, practically without exception, have used expressions such as that used by Rothschild, who said, "Those who control the credit of a nation control in the hollow of their hands that nation's destiny." This subtle power which exercises control over parliament and industry, and which in turn is controlled by a few men for their own selfish interests rather than for those of humanity as a whole, must be brought within the control of the people of the nation.

We are now at the cross-roads of history. We have heard that expression before, but I believe it to be true. One road leads to untold prosperity through the organization of our power and technological improvements. The other leads back to the dark ages, which were the ages of scarcity, manual toil and human drudgery. The financial system as at present constituted must have booms and depressions. We talk about the boom of 1929 and the depression of 1932. We must have these booms and depressions in order that the financiers may retain control. It is the aim of the financial system to prevent good borrowers from accumulating money of their own, so when a boom has reached its peak those who have loaned money begin to call in their loans. Otherwise those borrowers would become too rich to want to borrow any more money. After a boom has progressed so far, high prices rule, and with high prices more and more money is required to carry on trade. Bankers have to honour their promises to pay, and as money is withdrawn from circulation the demand for goods decreases and goods fall in value, less money is loaned and a depression is started on its course. The banks follow the policy of alternate expansion and contraction of their loans and their purchases of securities. The business cycle which is caused by this policy brings in its wake bankruptcy, debt and the curtailment of industry. That is what we have passed through, a period of bankruptcy, debt and the curtailment of industry, through the curtailment of this purchasing power which should have been distributed more freely to all people.

The great prizes of this earth go to those who are in control of the financial machinery, but we believe that with human initiative and enterprise unchained it will be possible to have "a car in every garage and a chicken in every pot."

Some hon. MEMBERS: Oh, oh.

Mr. HAYHURST: That sounds very nice to my hon. friends across the way. So many think that because we are financially poor, of necessity we must be really poor. We

know that money is not real wealth, but it becomes scarce and goods cannot be purchased. Money is one of the most ingenious and potent inventions of man, but people buy and sell money as a commodity, as other people buy and sell wheat. Real wealth decays, like the potatoes to which the right hon. leader of the opposition (Mr. Bennett) referred this afternoon, but financial credit and debt have taken on the spirit of immortality. They are always growing; they always increase. We borrow the money with which to construct a building. The building deteriorates, but the debt increases. I am reminded of those words of Goldsmith's:

> Ill fares the land, to hastening ills a prey,
> Where wealth accumulates, and men decay.

Even in the days of Goldsmith they recognized the truth of the statement that finance controls the destiny of the people. The debts of countries and of individuals increase with each succeeding year. Thus we are establishing a debt creating structure whose subtle charm seems to hold the people in a hypnotic power. That is quite poetic for me. It is not suggested that credit should be so plentiful that unlimited quantities of money would be required to purchase the bare necessities of life. What financial expert would permit such a condition? At all times the credit supplied would bear a just proportion, neither too much nor too little, to the real wealth which a nation produced. It is like a man rowing in a boat on lake Superior. Would he jump overboard if he wanted a drink? Naturally we would not create huge amounts of credit, even though it only consists of figures in a book.

There are many monetary reformers today, as the house knows, but they are mere adventurers. When asked if they believe in dividends for all the people they immediately reply: No, we do not believe in people; we believe in the money system. They have no faith in their fellow men. Control and power mean more to them than the general uplift of all the people. How often has unemployment been held up as an incurable curse, when it should be looked upon as a triumph, and those unfortunate enough to be unemployed should have the satisfaction of knowing that they will always be paid. What a tragedy it is for those on the dole; there is the fear, the threat that to-morrow's dole may cease to be. Think of the tragedy of little children under the stigma of relief which has no permanency and which instils a fear of insecurity into their minds. I wonder whether any hon. members are living next door to families on relief. Will people be able to unlearn the things they have learned and to alter the direction of their thinking before a greater crisis arises? Some people are afraid of a new crisis. We need not fear it, because a new crisis would take away the fear of poverty and insecurity. That nation, which I hope will be Canada, which produces real wealth in abundance should be the greatest nation on earth, and will be the greatest nation if it gives purchasing power to its people.

Industry and all mankind are travelling in a vicious circle. Here is the question: Why cannot goods be sold? The answer is this: Because people have not the money. Why have not people the money? The answer is: Because wages are low; people are on short time, or are unemployed. Why are their wages so low? Why are they on short time or unemployed? Because factories cannot sell their products. Why cannot factories sell their products? Because the people have not the money to buy. No wonder poverty increases; no wonder bankruptcies and insanity increase. Perhaps there is no insanity in eastern Canada, but I am sure some hon. members think we in this corner of the house have a certain amount of it. I know, however, that in Alberta insanity is one of the greatest problems we have to face.

An hon. MEMBER: Hear, hear.

Mr. HAYHURST: It is the same in Ontario, so you do not need to say, "hear, hear." And all the insanity is not on this side of the house, although we are all a little insane, you know.

Mr. GRAY: Or we would not be here.

Mr. HAYHURST: In our province insanity is becoming one of the greatest problems, and that insanity is due to a fear of insecurity.

Mr. SPEAKER: The hon. member has spoken forty minutes.

Mr. DENTON MASSEY (Greenwood): Mr. Speaker, last Friday afternoon hon. members listened to a most able presentation of the 1936-37 budget. Some of us who know the personal record and career of the gentleman who is now Minister of Finance (Mr. Dunning) could not help at least silently congratulating him upon the success of his career and the manner in which he carries the honours which have been heaped upon him. Concluding his speech the minister used this language, as reported at page 2391 of Hansard:

> The government of Canada is making earnest and sustained efforts to meet this challenge and to grapple with the manifold problems of the country. I would ask the house and the

country to accept the proposals I have made to-day as part of a conscientious effort to promote the best interests of the people of Canada.

Not for a moment would any hon. member question the sincerity of the minister, but perhaps some of us do not subscribe fully to the "efforts" or to the methods of "grappling." In the first place, not so many days ago, to be exact on Monday, April 6, we listened to the Minister of Finance use this language when speaking about the housing problem of Great Britain:

> The great bulk of it has been carried forward by the degree of confidence and leadership inherent in the people themselves, by the abolition of fear and the creation of confidence in the minds of men and women who have a little money, who need a home, to spend that little money in cooperation with the money of the state, possibly, in order to acquire that which they need. That is the sort of leadership we need in this country. We need confidence on the part of those who could do things by cooperation if only they did not fear so much.

Then, speaking on Friday when introducing the budget the minister said, as reported at page 2383 of Hansard:

> That purpose the government intends to pursue steadily as an essential condition of the restoration of business confidence and the free functioning of private enterprise. This, it is believed, will contribute more effectively to the solution of the problems of unemployment and depression than any other single thing which governments can do.
>
> I am not an alarmist. On the contrary, I am confident that common sense and sound economic policies can solve our immediate problems.

I wonder whether it tends to restore confidence to call the attention of the consumer, every time he makes a purchase, to the fact that his country is hard up and that he must be taxed accordingly.

Introducing the question of the sales tax the minister referred in his speech to the necessity for the tax. As I listened to him speak last Friday afternoon I could not help remembering "the forgotten consumer." My mind carried me back to the campaign of last year, during the course of which from one end of Canada to the other we heard presented the case of "the forgotten consumer." I am not standing in my place to-night to plead the case of the forgotten consumer or to draw attention to him or to her. Many people listened to what was said during the course of the campaign. If we may judge by the vote, many people felt that the forgotten consumer would be remembered.

I wonder whether it tends to create confidence in the present government when, in the first budget brought down after an election in which the forgotten consumer was proclaimed so loudly, we find an increase of 33⅓ per cent in the sales tax. It seems to me that confidence must be shaken in the present government—and the minister has admitted that confidence is essential to recovery!

During the course of the last campaign many statements were made in an attempt to convince the electorate that the country faced a most serious situation. It was either "King or chaos," the insinuation being, of course, that chaos, if not already at hand, was just around the corner. On the air from coast to coast we heard language descriptive of that condition. There was a certain innocuous old gentleman who had a nasty mind, who was called "Mr. Sage," I believe. Mr. Sage had certain things to say, but they apparently did not mean very much, one way or the other. In one of the special committees we have spent a great deal of time in the last few weeks inquiring into who this innocuous but nasty-minded old gentleman was.

Mr. CHURCH: They ought to give Mr. Sage a gold watch and an illuminated address.

Mr. MASSEY: I hazard the guess that when prominent gentlemen, citizens of this country, take the air and proclaim from coast to coast that chaos is just around the corner far more serious harm is done than could possibly be done by an innocuous old gentleman with a nasty mind, who does not mean very much.

Confidence was shaken by many things that were said during the course of the last campaign. Confidence was shaken in the minds of many people, judging by the fact that they listened to the cry of "King or chaos." The first part of the speech introducing the budget should, I suggest, be spread from coast to coast and every Canadian should read it, for it is the written record of the results of the activities of the late government, and of which activities any government, Conservative or Liberal, might well be proud. This afternoon the right hon. leader of the opposition dealt fully with that fact.

In the second place, Mr. Speaker, and still along the lines of confidence, I would draw the attention of hon. members to page 2376 of Hansard where the hon. Minister of Finance (Mr. Dunning) used the following language on Friday last:

> I direct attention to the fact that in the last fiscal year nearly 62 per cent of the dominion's revenues were required to meet fixed and uncontrollable expenditures, such as interest; war and old age pensions and superannuation; care of returned soldiers;

subsidies to provinces and certain other outlay of this nature. In the year 1913-14, the last fiscal year prior to the war, only 19 per cent of the revenues were allotted to items generally regarded as uncontrollable, and even in 1929-30, when the effect of the war cost had been shown in our expenditures, the proportion was but 44 per cent, as compared with 62 per cent last year. Although it is not possible at this date, except by certain arbitrary assumptions, to make exact calculations, nevertheless it is obvious from an examination of the expenditure statements that the burden of the war cost, both direct and indirect, is even to-day a major factor in our budgetary situation.

We to-day as a nation, as part of a great empire, are definitely concerned in international affairs. We read the daily press with great care and much interest, and we realize that to-day once again over in Europe there overhang war clouds. The dispatches which we read are dated from London, Rome, Paris, Addis Ababa, or wherever it may be, but do we see a single dispatch on the war situation dated from Ottawa, Canada? Are we not a member of the League of Nations? Have not the people of this country a right to expect that those of us who are here representing them in this House of Commons should interest ourselves directly through the government in international affairs? War is preventable only when nations do not want war. Disarmament alone is not enough. Nations must be educated against war. There has grown up a generation since 1914-18 that knows not war, that had no experience with it. Figures such as I have quoted from the budget speech of last Friday are startling, and the minister says, "The burden of the war cost, both direct and indirect, is even to-day a major factor in our budgetary situation." His language should echo and reecho throughout this country to impress upon those who are young, and perhaps more foolhardy than those of us who are growing slightly older than we were, what the burden of war may mean.

There is in Canada a League of Nations' Society. Of its activities I have nothing to say. Unfortunately it is not a very prominent society. It is attempting to do its best in its own way, but does it receive support from this government? I am sure, Mr. Speaker, that confidence in Canada is the most important factor in her recovery, and one way in which Canada must demonstrate her confidence is to convince herself that in her own active field she is doing her bit to prevent war.

In the third place, Mr. Speaker, no one would question for a moment the desirability of balancing the budget. No one could question for a moment the desirability of taking steps in that direction. But what is the cost of balancing the budget? What is the cost of attempting to balance it to the degree suggested by the Minister of Finance? What confidence may be shaken in the process? Confidence! We have to-day in Canada a national radio. This is a medium that can be put to fullest use by this government for its own needs, not as a partisan government, but as the government of the nation, in an attempt to educate the people of this dominion that after all Canada has in the affairs of the nations of the world a position of which she may well be proud, and that, after all, we are not facing chaos but are, or at least were, on the road to recovery. Have we made any attempt to develop further any sort of newspaper or magazine campaign directed towards the restoration of confidence?

There also is the great question of the reestablishment of youth, on which on two occasions I have already spoken in this house. The other day some hon. member was speaking on pensions for those who voluntarily might retire from work at the age of sixty, and of what might be done in that regard. It was suggested by the hon. member for Melfort (Mr. McLean), I think, that it would cost $522,000,000 to put such a plan into effect, a figure so astronomical that even the most powerful political telescope could not even locate it. Actually the cost of such a scheme might well be estimated at around $10,000,000, and what would such a scheme mean to the youth of Canada to-day as far as the opening up of jobs is concerned? What if the deficit is $100,000,000 or $110,000,000 when the extra $10,000,000 might be put to such a service as that? To break the depression, means that confidence must be restored. I quoted from the words of the hon. Minister of Finance on April 6, referring to what the restoration of confidence had meant to the United Kingdom in connection with their housing program if in no other way.

In the fourth place I wonder, Mr. Speaker, whether it builds confidence when industry commences to lose its position in its own home market. What does it mean when Canadian workmen lose their jobs or fail to get jobs as a result of the influx of foreign goods? How far-reaching is the effect? It might be said that there are only a few jobs lost, but what does that mean to a whole municipality, to a whole industrial centre? Five or eight hundred men out of work as a result of a change in the tariff may be a very small number as compared with the total number of men at work in

Canada, but what is the effect so far as confidence is concerned? Who is going to be next? Those of us who live in industrial centres know full well the effect of the loss of a few jobs as a result of governmental action, and by a reduction of tariffs at a time such as this we are inviting the foreign manufacturer to sell in Canada, hoping, we are told, that perhaps we may be able to sell a little to him in return. Speaking on Friday last the hon. Minister of Finance, as reported at page 2368 of Hansard, said:

> Imports from the United States for the full year just ended were $319,610,706, which is an increase of 16 million dollars over the preceding year. 7·2 million dollars of this increase were recorded in the first three months of this year under the operation of the trade agreement.
>
> Over 56 per cent of our imports come from the United States. At the same time they take only 37 per cent of our exports.

One cannot listen to such figures as these without some degree of alarm. I have in my hand a report from the Department of National Revenue, showing the duty collected for the months of March, 1935 and March, 1936. In 1935 in that month, $8,395,859 was collected in duty while in the month of March of this year, $7,508,479 was collected. Thus in one year the loss of duty would be equal to one-half of the increase in sales tax revenue which the minister intends to collect if we may assume that that loss in duties is maintained for twelve months. In the face of such facts, do we contemplate further tariff reductions?

Let us take one class of goods only by way of illustration, the tariff on which is reduced by this budget. I refer to farm implements. I realize that in so doing I place myself in a peculiar position. My family's name has been closely identified with the implement industry in Canada for upwards of ninety years. Perhaps I may be accused of impropriety in introducing this subject and I do so at the hazard of being misunderstood. I should like to attempt to make my position as clear as I possibly can. I and my family have no connection whatsoever with the Massey-Harris Company, nor have I had for nearly four years. Some years ago I started to work in the shops of that company and until 1932 I was employed there. I left in 1932—I was not fired, I may say—to enter another sphere of activity. I worked in all the shops and ultimately became works manager of the Toronto factory

When I left, I left behind me in that factory a great many friends, men who had been pals of mine, men who earn their living with their hands, grand fellows in every way. As a member of parliament, I have an obligation to those men, not simply because they are friends of mine but because I know their problems. When I speak of the men in the Massey-Harris factory I know whereof I speak. I have an obligation to them and I would be remiss if I did not raise my voice in this house on their behalf. It is on their behalf I speak. I am not much interested in the implement industry as an industry, but I am deeply interested in the men employed in the industry and in their jobs. I am a protectionist. When I say "protectionist" I do not refer to the protection of industry; I refer to the protection of jobs. That is the way I interpret protection, and that is why I am a protectionist.

Mr. BAKER: That is what protection is.

Mr. MASSEY: It seems to me that the way in which we can increase our home market most effectively is by paying wages to men. The reduction of the duty on farm implements to 7½ per cent does one thing and one thing only; it spells disaster to the implement industry of Canada. This means that the jobs of 18,000 men are threatened by the introduction of this tariff.

Let me refer to one particular company, the Massey-Harris Company. In the last ten years that company has paid in wages and salaries, $37,312,000; it has paid in commissions to agents, $10,817,000; in pensions, $1,020,000, a total of $49,149,000. That is not a bad contribution to the pay-rolls of Canada. Has there been exploitation of the farmer during the course of this business?

Some hon. MEMBERS: Sure.

Mr. MASSEY: Those who do not know say, "sure." This company has experienced a loss, from 1930 to 1935, of $25,700,000. Does that look like exploitation? Then in the twenty years from 1916 to 1935 there has been a net loss of $7,400,000. Many weeks ago we listened to the Minister of Agriculture (Mr. Gardiner) reading a long list of implement prices, showing changes from 1913 down to the present day. Do hon. members know that since 1913 wages have doubled, western freight rates have increased 38 per cent and eastern freight rates, 83 per cent, and that there have been many changes in design due to the demands of the farmers themselves. For instance, there has been developed a one-way disc seeder which performs simultaneously the four operations of ploughing, harvesting, seeding and drag-harrowing. This machine sells at a saving of $286 to the farmer even though its selling price is $420.50, or the cost of four machines needed to perform the four operations it performs would total $706.50. The operating costs of those four machines would be $1.40 per acre, whereas the operating cost of the one-way disc seeder is 47 cents per acre.

The Canadian implement companies have been challenged in connection with Canadian as against American prices. It is interesting to compare American and Canadian prices in a list of thirteen major machines, including an eight foot binder, a twenty double-disc drill, a five foot mower, et cetera. Taking the prices at Oswego, Montana, and Consul, Saskatchewan, the Saskatchewan prices are only 94·54 per cent of the Montana prices. Taking prices at Sweet Grass, Montana, and Coutts, Alberta, the Canadian prices are 98·96 per cent of the Montana prices. Taking Pembina, North Dakota, and Emerson, Manitoba, the Canadian prices are 99·73 per cent of the American prices.

Will a reduction in the duties mean a saving to the farmer? That is the question. Let us see what has happened. In 1935 the total volume of implement business in the United States was valued at $360,000,000, whereas the total volume of the Canadian implement industry in the same year was valued at only $16,000,000. In 1935 one company in the United States had a turn-over in that one year greater than the turn-over of all Canadian companies in nine years. Take the years from 1926 to 1935, in some of which the duty was low. There were $139,000,000 worth of implements produced and sold in Canada as against $165,000,000 worth of implements imported into Canada. How long can an industry expect to continue with that sort of set-up?

Why should I, with no interest in the industry as an industry, stand here and attempt to plead its case? Why should I or any other member rise in this house to plead the case of this industry? Was there not a committee set up to investigate this whole matter, to give the implement industry of Canada a chance to present its own case before anything was done? Was there not a committee set up to see if the farmer were being damaged and if the implement industry were playing the game? I believe that committee is still sitting. There were handed out to the implement industry questionnaires which would require some three months to answer at a cost of many thousands of dollars, many of these dollars having been spent already, but has the industry yet been permitted the opportunity to plead its case? Why should I or any other member stand and plead the cause of the implement industry when there is a tariff board before which that industry might have appeared? For the reason that the case has been prejudiced! The alleged criminal has been apprehended and sentenced before trial. That is not British, Mr. Speaker.

[Mr. Massey.]

I am sent here by an industrial riding; I am sent here to represent the industrial worker, and so long as there is breath in my body and red blood in my veins I will plead his cause. And I say to-day that the jobs of 18,000 men are at stake. Yes, and how many more jobs are there at stake in industries which contribute raw materials? Sympathize with the farmer? Of course I do. I know something of his problem for I have been privileged to stay on farms and I know many farmers. Of course I sympathize with his problems. This country owes him a debt of gratitude which it can never repay. But will this tariff benefit him? That is the question. And will the government juggle with the jobs of 18,000 men hoping that perhaps it may benefit the farmer? And to what end? Why pick on one industry? Let us consider other commodities which the farmer buys. The price per pound of implements is 12·80 cents in Canada. The prices per pound of a number of articles the farmer uses are as follows:

| Article— | Price per pound cents |
|---|---|
| Water pail, galvanized | 11.46 |
| Steel range | 13.00 |
| Steel bed | 13.25 |
| Washer, hand | 14.46 |
| Steel sink | 15.60 |
| Davenport | 15.75 |
| Wood pump | 16.00 |
| Wringer | 16.00 |
| Incubator | 17.72 |
| Post drill | 17.40 |
| Chain hoist | 24.77 |
| Swivel vise | 25.00 |
| Churn (five gallon) | 33.50 |
| Sewing machine | 35.93 |
| Sprayer (hand) | 41.87 |
| Axe | 46.25 |

The average price per pound is 22·37 cents. These are all articles purchased by the farmer. Yes; why single out the implement industry only? Why not inquire into those industries having protection running up to 35 per cent and down as low as 15 per cent, whose products are listed above, and whose prices are more per pound than those of the implement manufacturers? Out of every $100 the farmer spends, he spends only $3 on farm implements. There was an increase in the prices of farm implements on January 1, 1936, of 3½ per cent which means, to the farmer, ten cents out of every $100 he spends; and yet there was a shout to high heaven that made the welkin ring with the hideousness of the cry.

One must admit and admit readily, that prices of commodities purchased by the farmer, implements included, are definitely out of joint with the prices of the things

he produces. But is it reasonable to expect to estimate the price of a binder in accordance with the price of a bushel of wheat and have that relationship always hold true? Yes, and why take just one industry? Among all the industries that sell goods to the farmer, why single out one and expect that a slight difference in price will readjust the whole situation for the farmer?

I have said what I have said only because I am a member of parliament representing an industrial riding and it is my pledged duty to do all in my power to protect the jobs of the people who elected me.

I am at a loss to understand the attitude of some hon. members who cry free trade in farm implements and make that cry without lack of knowledge of what they are saying when they advance the mouldy doctrine of free trade. Surely the creation and preservation of the home market is dependent upon the payment of wages. Let us assume—and this figure is the best one I could possibly obtain—that the average family food bill in Canada is $400 a year. This means that the annual family food bill of the families dependent upon the implement industry is $7,200,000 a year! Let us assume that the price of implements is reduced by the full 17½ per cent of the duty that has been taken off since the first of January of this year. That would mean to the farmer 52½ cents out of every $100 he spends. And for this are we prepared to jeopardize a market, his market, to the extent of $7,200,000? Is that reason?

In conclusion, and in words similar to those of the Minister of Finance, let it be assumed and hoped that the government of Canada is making an earnest and sustained effort to grapple with the manifold problems of the country. Confidence—it has been the keynote of what I have attempted to say to-night. Confidence—it is a great word. Confidence—it is the prime prerequisite to complete national recovery. Confidence—let every step taken by this government be a step towards restoring confidence.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): I must congratulate the Minister of Finance upon his very clear and comprehensive statement. I welcome the downward revisions in the tariff; that it seems to me is all to the good, notwithstanding the position taken by the hon. member who has just sat down (Mr. Massey).

A recent writer pointed out that the ancient Romans built roads and the Chinese built walls. The Romans went forth to conquer the world while Chinese civilization became very largely stagnant. I believe there is a little parable there for us all. We cannot very well live behind walls; we must build roads to the wider society about us. But I venture to say that in these days we need to build not merely physical roads and we need to do more than lower tariff barriers; we need to build roads along new lines instead of trying to conserve old institutions and to hide behind them. Instead of doing that we should strike out along new lines. The alternative is build roads or build walls.

The minister admitted that agriculture was very far from being in a satisfactory condition, but he did not suggest any means by which we could materially help that industry. I was reminded of the statement of the Minister of Labour (Mr. Rogers) a few days ago to the effect that it was useless to repair the superstructure of our economic life as represented by our secondary industries if its foundation, as represented by our primary industry, is crumbling away. I regret that although he made that statement, he actually advocated back-to-the-land policies, and certain members talked of a better balance between the cities and the country. I would urge upon the house that it is largely useless for us to try to bolster up the secondary industries, as we have been doing in the past, and as we are continuing to do, if we allow our primary industries to languish. It is all very well to point out with pride that we have moved up from the eighth to the sixth place among the nations in total world trade. That does not help very much unless the majority of the people of this country are living a satisfactory life. I was surprised that in his excellent speech the hon. member for Greenwood (Mr. Massey), although he was able to quote quite extensively concerning the financial condition of the agricultural industry and the prices of farm implements, and although he was pleading for the workers in industry, had nothing to say with regard to the real wages paid. I should have liked to have him give at some length the wages paid to all grades of labour in the agricultural implement industry.

Mr. MASSEY: Would the hon. member permit an interruption? The average for 1935 was 45 cents an hour for all classes of work.

Mr. WOODSWORTH: Does that include salaries?

Mr. MASSEY: That includes hourly wages. Putting in salaries would make it too high; the hon. member might question it.

Mr. GOLDING: I should like to ask the hon. member for Greenwood where he gets these figures of the average wage in the implement industry.

Mr. WOODSWORTH: Possibly it is a little out of order for the discussion to go on, although I too would like to secure the source of these figures, and also the sources of some other figures used by the hon. member for Greenwood. I should like to know where he got the figures as to what proportion of a farmer's income was used in the purchasing of farm implements.

Mr. ROWE (Dufferin): Anybody can get those who wishes to work out the statistics.

Mr. WOODSWORTH: Well, possibly. I would point out, coming back to agricultural matters, that Canadian farmers were in the happiest condition before we developed industry in this country at all. At that time they lived a self-contained life. Instead of industry helping the farmers to a fuller and richer life, it has in fact impoverished the farm life of this dominion. I think we must recognize that.

Some hon. MEMBERS: Oh, oh.

Mr. WOODSWORTH: I for one do not want to go back to the past. I do not think you can turn the clock back. But I do say that a readjustment is necessary, and that in that readjustment the farmer must not be neglected as he has been in the past.

The minister tells us that industrially and commercially conditions are beginning to show improvement. He pointed out that an analysis of the record of earnings of 241 leading Canadian corporations discloses that net earnings are about eight per cent greater for the fiscal year than for the previous fiscal period. That statement in itself might be satisfactory, but let me put two others alongside of it. The second statement he made was that common factory labour was up 2·4 per cent. I was not quite clear whether that meant that the total wage bill was up 2·4 per cent or that individual wages went up 2·4 per cent. But in any case I do think it is very unsatisfactory. We find a rise of eight per cent in industrial improvement, that is for the industry itself, and only a 2·4 per cent rise in the wage bill. The minister seems not to have taken those two into consideration and placed them side by side, or he would hardly have gone on to increase the sales tax from six per cent to eight per cent, because that tax falls most heavily upon the poorest of our people. It may be said that the corporation tax was increased. That is true. But the corporation tax is very largely passed on, as the minister knows. The minister shakes his head. I am sure he must have read the financial statements of the great corporations where they definitely arrange for the corporation tax before even declaring their dividends.



Mr. DUNNING: Yes, but, if my hon. friend will permit me, the corporation tax is definitely a tax on earnings. I agree with him that most taxes are passed on, but this is a tax which is not payable unless the earnings are made. That is, it is definitely payable out of earnings.

Mr. WOODSWORTH: But it does not come out of the individual; it comes from the general public. My point is that the individual's tax is not readily passed on, whereas essentially the corporation tax is passed on to the general public.

An hon. MEMBER: No.

Mr. WOODSWORTH: In the next year's budget. It does not rest on the individual as an individual income tax does. The sales tax also is a burden on every individual consumer. It seems to me that if the minister had put those two statements of his together and looked at them carefully—the one statement that industrial and commercial earnings are up eight per cent—

Mr. DUNNING: I did not say that.

Mr. WOODSWORTH: "An analysis of the record of earnings of 241 leading Canadian corporations discloses that net earnings are about eight per cent greater for the fiscal year than for the previous fiscal period." Those were the exact words that the minister used. I say that if they are up eight per cent and factory labour is up only slightly over two per cent, we might have expected that the taxation on the industries would have been greater and that on individuals would have been lessened, instead of having the sales tax increased as it is.

The minister declares that dominion credit must be protected at all costs. In that, he represents the attitude of big business. I am one of those who challenge the attitude of big business in that regard. In a general way I recognize that our interests are all interrelated, but I do not think it follows that because big business is prosperous the great majority of the people are necessarily prosperous.

Mr. DUNNING: Neither do I.

Mr. WOODSWORTH: I am glad of that. But the credit of the country, we are told, must be maintained at all costs. That means in effect that in several western provinces we have to cut down on the costs of relief, of education, and of social services of all kinds. "Credit must be maintained at all costs!" A few weeks ago the minister said he was quite

sympathetic with the idea that there should be pensions to the blind, but under present conditions he could not find the money. The credit of the country must be maintained at all costs! Mr. Speaker, I respectfully submit that the credit of the country so-called can be maintained at all too great a cost to the mass of the Canadian people. The minister makes that argument the basis for the proposed loan council legislation. Personally I think some such legislation as that is almost an inevitable development. But I submit that it is a dangerous thing to centralize financial control unless at the same time we centralize responsibility for social services. If we are going to take the position that the dominion government should take care of our education, our hospitals, our unemployed, our old people, then a good deal might be said for some such arrangement as a loan council. But if it means, as I think it must mean, that financial men will be very largely in control and that they will assume the attitude which the minister has enunciated, that is that the dominion credit must be maintained at all costs, then I say that the situation ahead is very serious indeed.

The minister made another statement which is half true and half false, when he said that foreign trade was the very lifeblood of Canada. Well, it is consoling to know that we are to have an increase in the dressed and dyed rabbit skins that come to us from Belgium. I do not know whether that is an indication of how vital trade is to this country, but I should like to quote a statement by the dominion statistician under date of December 20, 1932. The proportions are not much different to-day, I should think.

It would appear that in 1930—

This was at the last census, I assume.

—the net value of production (i.e. value of products less the cost of any raw materials involved), amounted to $3,216,747,000 in value, whereas our exports amounted to $885,996,000. The difference was consumed in the country.

The minister exalts something like one-quarter of our entire production to the predominant position. I do not think that is a fair way to look at the situation in Canada. Foreign trade, says the minister, is the very lifeblood of Canada. Well, it should be remembered that it is only a quarter of the entire production which is given that exalted position. If we swept foreign trade aside altogether, we would still consume in this country three-quarters of the entire production. I quite agree with the hon. member for Greenwood when he urges that we should develop the home market. We should do that; we should pay wages to everyone, and see that the wages are as high as possible. That would be the surest way of taking up the apparent overproduction that we have in certain Canadian industries.

Mr. DUNNING: Who would be here to pay the wages?

Mr. WOODSWORTH: We would all be here to pay the wages. As to foreign trade I quite recognize that certain commodities can be produced to greater advantage in other countries than in Canada, and we should have a certain amount of what really should constitute trade, the exchange of the things that we could produce to advantage for the things that could be produced to advantage elsewhere, but I urge that it is not the profit motive which should lie behind an exchange of that kind. As I have said before in this chamber, I believe that the old basis of foreign trade, which is the shipping of our production in order to make profit, will have to be altered, and that the foreign trade of the future will have to be on the basis that I have just indicated.

Again, the minister says that in the fiscal year just ended our gold sold abroad amounted to $119,000,000. I like the phrase, "our gold," but I should like to ask the minister who owns most of the gold mines in this country. If I am rightly informed a considerable amount of the stock of those gold mines is owned abroad. It should be "our" gold, but it is not "our" gold. The dividends about which the minister thinks so much are paid not so much to the people of this country as to foreign investors. Who owns the gold mines? It is true that the miners get wages, sometimes very pitiable wages too, but in the gold mines they are always in danger of that dread disease silicosis, which is carrying off so many of them. We hear very little about that. Oh, no, it is not "our" disease; we do not boast of that, nor do we boast of "our" wages that are paid to the gold miners, but it is "our" gold! Again, there is in this connection something into which I have never inquired very carefully, but I should like to ask the minister to explain at some time just what are the arrangements with regard to depletion allowances. It has always seemed to me that, if we are going to make depletion allowances, one of these days, especially with the very high percentage that is allowed, depletion will theoretically be complete. My idea would be that if these mines have been alienated from the crown, and if allowances are made for depletion, once the depletion is complete the mines should revert to the crown. Why not?

Then there was a statement made by the minister which I was very glad to hear, that there was a payment of $272,000 to maintain reserves in the government annuities fund.

In this connection perhaps I should call attention to a mischievous article which appeared in Saturday Night of April 25 of this year, entitled Life Insurance versus Social Security, by some writer named Mr. W. A. McKague. I quote one statement from that article:

> The dominion government has some $23,000,000 of deposits in its post office savings bank, and some $40,000,000 belonging to those who have paid for annuities. Where is this money now? ... what we find is that there are no real assets—the money turned in by depositors and by purchasers of annuities, has been all drawn into the bottomless pit of expenditure, and has gone the way of other receipts from taxation and borrowing.

Is that true, Mr. Minister? If it is not true I think we should have a statement from the Minister of Finance. It does not seem fair that we should allow such propaganda, condemnatory of governmental institutions and containing so many misleading statements as are contained in the article to which I have referred, as well as some other articles in the same issue.

Mr. DUNNING: Did I understand my hon. friend to ask me a direct question?

Mr. WOODSWORTH: Yes, and some time I should like to have the minister answer it.

Mr. DUNNING: If my hon. friend desires to know whether those moneys are in the form of gold or some tangible form of wealth, in that case of course the answer is no.

Mr. BENNETT: They were paid into the consolidated revenue fund of Canada.

Mr. DUNNING: Yes, they were paid into that fund, as they have been from their inception.

Mr. WOODSWORTH: Then the minister regards this as perfectly safe?

Mr. DUNNING: As long as the government of Canada continues to honour its obligations these funds are perfectly safe, and I cannot conceive of a government of Canada not honouring its obligations.

Some hon. MEMBERS: Hear, hear.

Mr. WOODSWORTH: I am very glad to hear that statement from the minister; I wanted to get that. Would the minister mind explaining just how this payment of $272,000 to maintain the reserve in the government annuities fund is handled?

Mr. DUNNING: It is part of the consolidated revenue fund. From its very inception payments made by annuitants have gone into the consolidated revenue fund. The contracts represented by the annuities are a charge on that fund, which is the money of Canada. The money owned by the people of Canada is charged with the annuities. That is about the simplest way I can express it.

Mr. BENNETT: It is the same with the superannuation fund.

Mr. DUNNING: Yes, it is the same with the superannuation fund.

Mr. WOODSWORTH: I do not wish to have the time for the minister's explanation taken off the time allotted to me to speak, but possibly he could explain briefly how the payment of $272,000 to maintain the reserve in the dominion annuities fund is handled.

Mr. DUNNING: It is a payment made to bring the reserve up to the actuarial requirements stated to exist for the fund. It is to keep up the basis. Perhaps I would take too much of the hon. member's time if I were to give a detailed explanation, but I do not believe any recent Minister of Finance has been quite satisfied with the actuarial basis of the annuities fund. I can give a reason for it in two words; it is still based upon the mortality table of years ago. The expectancy of life in the meantime has increased, tending to lower insurance rates but to raise annuity rates. My hon. friend follows me?

Mr. WOODSWORTH: Yes.

Mr. DUNNING: Consequently several of my predecessors and I have looked into the matter, and at present I may tell the hon. member that an inquiry is being made into the actuarial basis of the fund. Meantime, when there is a shortage, such shortage is made up by a payment such as the one to which the hon. member refers.

Mr. WOODSWORTH: I introduced the subject simply because I had been reading the Saturday Night article a few days before, and felt quite assured when the minister made that statement, although I did not know exactly the way in which the fund was managed.

Mr. DUNNING: I am not criticizing the article; I am just trying to give the facts.

Mr. WOODSWORTH: May I also recall that the minister stated that the interest burden last year was $134,550,000, or an amount which used up 36·2 per cent of our total revenue. I should like to emphasize what a heavy burden that is.

We have heard a good deal about old age pensions, but in this year old age pensions use up only 4·51 per cent of the total revenue. Therefore, heavy though the charge

may be, it is very small when compared with what we pay to those who hold the bonds of Canada. Then, although we have heard a great deal about unemployment relief, and the terrifically heavy burden it has placed upon us, we find that relief expenditures last year were only $51,987,307, including expenditures on public works and in the drought area. Hon. members say that is an enormous sum? Yes, but it is not much more than a third of the burden entailed by interest charges.

The minister has said that we must do something to make an appreciable approach to balancing our budget. He desires to have a definite and positive program which will assure the attainment of our financial objective within a limited period. Is it not possible that the government now only entering office might have something like a five year plan, under which we could look ahead not for one year but for five years? I was interested to note that Mr. Thomas Bradshaw, president of the North American Life Insurance Company, made the following statement at the general meeting held on January 20:

> Whatever we may think of Soviet Russia's five-year plan, or that set forth in the recently issued book, The Next Five Years, and to which general support was given by a group of 152 of Britain's outstanding men and women, representative of all shades of thought, there is much to be said for the intelligent planning of the future over a definite term of years, and adhering as closely as possible to program.

It seems to me that notwithstanding the uncertainty of the future something of that kind is much better than what might be called the hand-to-mouth policy prevailing to-day. We plan only a few months ahead. I do not like to be too severe in my criticism of the government at this time, because it seems to me that it is facing a task of trying to work a system that is rapidly becoming bankrupt.

To-day the leader of the opposition referred to the sales tax as a possible indication of the approaching end of the capitalist system. There are many other indications. The large number of people on relief that cannot be absorbed into employment is a good indication that the system cannot be maintained much longer. It is true that the minister is making some little effort to balance the budget. He is not nearly balancing it this year, and I cannot see that he has given any ground for hoping that he can balance it next year. When we have reached the point where we can balance our budget only by increased borrowing, thus pyramiding our debts, it seems to me that this is another indication that something is radically wrong with the system.

The minister points out that there are two main obstacles to balancing the budget, the cost of unemployment relief, amounting to $51,987,307 and the deficit of the Canadian National Railways amounting to $42,590,000. The sum of $5,818.000 has to be added for the eastern lines, making a total of about $100,000,000. Let me point out that in this connection the minister did not mention the large amount of $134,000,000 for interest charges. That is, in singling out these great obstacles one might also have thought the Montreal Star was talking.

Mr. DUNNING: Oh, no; that is the unkindest cut of all.

Mr. WOODSWORTH: The minister mentioned the millions spent on unemployment relief and other millions spent to cover the railways deficit, but why did he not go on to point out this great burden of interest debt?

Mr. DUNNING: I had already done so; the hon. member has quoted it.

Mr. WOODSWORTH: But the minister did not point it out in that connection, and I want to point out that it amounts to almost one and a half times the sum of the entire obstacles he mentioned. Further than that, may I say that apparently the minister has done nothing towards the conversion of the enormous burden of debt.

Mr. DUNNING: My hon. friend does me an injustice. Read the speech. I am sure he would not intentionally say something that is incorrect.

Mr. WOODSWORTH: In what respect do I do the minister an injustice?

Mr. BENNETT: In reading his speech.

Mr. WOODSWORTH: I wish to point out that so far as I could gather in listening to the minister's speech he has taken no steps towards converting these bonds and lessening the debt. I have not since read all the speech.

Mr. DUNNING: If my hon. friend would permit me, may I say I pointed out that last year for the first time in years the actual interest burden of Canada decreased.

Mr. WOODSWORTH: Yes.

Mr. DUNNING: And I gave the reason why it had decreased. The leader of the opposition referred to the matter again this afternoon. It is brought about as a result of conversions at a lower rate of interest.

Mr. WOODSWORTH: Yes; as some of these bonds have matured they have been

renewed at a lower rate of interest, but the amounts are not relatively very great, and we are not doing anything on a large scale to bring down this enormous burden of interest charges. That is the point I want to emphasize. Further than that, the budget might be balanced in another way, and that is by increased revenue. I would point out to the minister that the income tax amounts to only $66,808,000. Is not that correct?

Mr. DUNNING: No.

Mr. WOODSWORTH: I will go on in the meantime. I took the figure from the minister's budget statement. One-third more would go a long way towards overcoming the obstacles which the minister sees in his way, but the minister apparently does not propose to increase this kind of taxation. Indeed, why not go a little further than income tax and make a levy on wealth? We have very large sums of money concentrated in a few hands. Why should there not be a levy on wealth in order to lessen the burden of the debt? They are doing it in other countries in one way or another. They have an inheritance tax in Great Britain, but there is nothing of that kind in Canada so far as the federal government is concerned. Why cannot we balance the budget by levying a very much greater proportion of the taxation upon large fortunes?

Mr. DUNNING: I have before me the correct figure on the income tax. I said in the budget speech:

> The increase in tax revenue is more than fully accounted for by the income tax which yielded $82,700,000 as compared with $66,808,000 in 1934-35.

My hon. friend took the figure for 1934-35, and did not allow for the very large increase which took place in income tax revenue in the last fiscal year.

Mr. WOODSWORTH: I was quoting the figure given in the statement of the minister for last year.

Mr. DUNNING: No.

Mr. WOODSWORTH: I will take the minister's figure, but I was quoting the figure for last year.

Mr. DUNNING: No, last year's figure was $82,700,000.

Mr. WOODSWORTH: I was quoting the figure for the year before from the minister's own statement of revenues.

With regard to income tax, two considerations stand out sharply in an examination of the income tax returns for Canada: (1) The folly from a financial point of view of taxing small incomes, and (2) the wide range remaining for higher taxes on the higher incomes. An analysis of the 1934 returns yields the following: 93,316 taxpayers with incomes under $2,000 paid $989,083; 6,133 taxpayers with incomes of $10,000 to $50,000 paid $12,199,435; and 307 taxpayers with incomes of over $50,000 paid $8,785,854. The income classes are defined as "taxable incomes." The minimum exemption in 1934 was $1,000. Consequently the "net income" for this group ran as high as $3,000. Therefore the revenue of $989,083 comprises the total derived from all taxpayers whose income was not more than $2,999. I would submit that in taxing small incomes the Minister of Finance is evidently not influenced by financial considerations. He could get far more revenue by taxing a little more heavily the people of greater wealth.

The real measure of the severity of income taxes is the income which is left to the taxpayer after his tax is paid. The person of small income pays his full share of the cost of government quite apart from income taxes. The head of a family with a small income pays heavily in customs taxes and in sales tax. The amount of these taxes paid by the wealthy head of a family is not a great deal more than that paid by a person of small income. Certainly the greater amount paid by the man of wealth does not increase proportionately to his wealth, very far from it. An analysis of the tax revenues of the dominion in 1934 shows that the most profitable source of revenue for the Finance minister, from the financial point of view, is the group of classes whose taxable income ranges from $10,000 to $50,000. An analysis of this group yields the following results, and Mr. Speaker, with the permission of the house, I should like to place this table on Hansard:

Analysis of Income Tax Returns, 1934—$10-50,000 Groups

| (1) Income class | (2) Number of taxpayers | (3) Total taxes paid | (4) Minimum individual income | (5) Average tax paid | (6) Minimum income after tax paid |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| 10-15,000 | 3,284 | 2,735,469 | 10,000 | 833 | 9,167 |
| 15-20,000 | 1,254 | 2,032,264 | 15,000 | 1,620 | 13,380 |
| 20-25,000 | 665 | 1,881,997 | 20,000 | 2,830 | 17,170 |
| 25-30,000 | 349 | 1,439,868 | 25,000 | 4,125 | 20,875 |
| 30-35,000 | 228 | 1,289,887 | 30,000 | 5,657 | 24,343 |
| 35-40,000 | 162 | 1,114,983 | 35,000 | 6,883 | 28,117 |
| 40-45,000 | 116 | 947,111 | 40,000 | 8,165 | 31,835 |
| 45-50,000 | 75 | 757,856 | 45,000 | 10,105 | 34,895 |
| Total | 6,133 | 12,199,435 | | | |

The first three columns of this table are taken directly from the publication of the Dominion Bureau of Statistics entitled: Incomes Assessed for Income War Tax in Canada 1934. Column 4 is the minimum income for the class and is, of course, subject to addition for exemptions. Column 5 is the result of dividing column 3 by column 2. Column 6 is obtained by subtracting column 5 from column 4.

To single out a few instances from the table above, in the income class from $10,000 to $15,000 there are 3,284 taxpayers, and the total taxes paid by this group amounted to $2,735,469. The minimum individual income was $10,000 and the average tax paid $833. The minimum income after the payment of tax was $9,167. A significent entry in the table is column 6, which shows the wide margin of income remaining after payment of tax. None of these taxpayers would be poor if his tax were doubled, and most of these taxes would stand trebling. Take, for instance, the man with an income of from $25,000 to $30,000. The minimum income he had left after the tax had been paid was $20,875. So he would be very far from poor. It follows, of course, that there is also abundant room for increasing the taxes above $50,000. The materials for detailed analysis are, however, not available. In fact, the former Minister of Finance told the house that the information was not in the public interest.

In closing, may I point out that while the minister is apparently trying to preserve a very conservative point of view with regard to public financing, the situation is very rapidly changing the world over, making changes in policy highly imperative. I might quote the concluding paragraph of an interesting pamphlet, the Formation of Capital, issued by the Brookings Institute:

> At the present stage in the economic evolution of the United States, the problem of balance between consumption and saving is thus essentially different from what it was in earlier times. Instead of a scarcity of funds for the needs of business enterprise, there tend to be an excessive supply of available investment money which is productive not of new capital goods but of financial maladjustments. The primary need at this stage in our economic history is a larger flow of funds through consumptive channels rather than more abundant savings.

I cannot see why taxation should not be definitely and consciously used for an adjustment of the wide discrepancies which now exist in the distribution of wealth in this country. The Minister of Finance the other day had this to say:

> There must always be a limit to the extent to which money can be taken from all of our citizens of Canada to be given to some of our citizens of Canada.

He had in mind that there must be a limit to social services such as unemployment relief which, in his opinion, took from all—

Mr. DEPUTY SPEAKER: I must inform the hon. member that his time has expired.

Mr. WOODSWORTH: I will just finish my sentence, Mr. Speaker. As I understand the Minister of Finance, he says that there must be a limit to these social services which involve the gathering from all to give to some, but may I point out to him that to a considerable extent his budget is taking from all of us to give to a very small group of the people of Canada. This government is becoming a vast debt collecting agency through which we turn over the greater portion of our revenues to a small group of bondholders and other people who to-day are largely the recipients of those amounts now classed as "uncontrollable expenditures," which constitute some sixty-two per cent of the entire revenues of this country.

Mr. VICTOR QUELCH (Acadia): Mr. Speaker, it would hardly be correct for me to say that I am disappointed in the budget. Realizing, as I do, that the Liberal party is a reactionary party, I do not look for any

really progressive action which would lead us to permanent prosperity. I do not believe there is any solution within the narrow confines of the present capitalist system. It is true that rates of interest on the new dominion loans have been reduced, but as the national debt is only a fraction of the total bonded debt of Canada and as these low rates are not being extended to the provinces and municipalities, it is hardly to be expected that the bonded debt of Canada will decrease. At no time during the last twenty-three years, even in times of the greatest prosperity, has Canada proceeded without going progressively further into debt. So long as we continue to operate under a debt creating system, so long shall we be bound to go further into debt.

Many of those who voted in the last elections were of the belief that the government of Canada would issue its own credit, but from the statements of various Liberals, it has become very clear that such is not the policy of the government and that it intends to still go on pledging the real wealth of Canada to the financial interests. Such action can be continued only by keeping the standards of living down to an unnecessarily low point. We shall find that the present intolerable situation will be made even worse by the placing of an eight per cent sales tax on the consumer which will undoubtedly tend further to reduce his purchasing power.

The main problem to-day is that of stimulating the purchasing power of the people to a point where it is equal to the capacity of industry to produce and deliver goods. Any necessary increase in taxation should be made against surplus incomes, that is, incomes sufficiently large that the recipients are under the necessity of spending only a portion as purchasing power.

Some people take the stand that the government has no right to issue credit against the real wealth of the nation held collectively, when it is actually owned individually. We are actually doing that to-day in the form of dominion bonds. Bonds are nothing more or less than promises to pay at a future date. These bonds are recognized as a sound basis for the issue of money, for the issue of legal tender. Legal tender is recognized by the banks as a sound basis for the issue of credit up to nine or more times the amount of money held by them. That being the case, and as the federal government issues the bonds, why cannot the government issue credit backed by legal tender, with the full resources of the nation behind it?

I believe this example has been given before, but I should like to give it again just to bring out my point. In November, 1932, the federal government sold to the chartered banks of Canada $35,000,000 of treasury notes bearing interest at four per cent. The banks increased the government deposit by $35,000,000. Then, in a short time the banks applied to the treasury board for a currency loan of $35,000,000, under the provisions of the Finance Act. The government issued the new currency and charged the banks three per cent, the security put up by the banks being dominion government notes. Why could not the government have credited themselves with $35,000,000 of currency in the first place and thereby saved the nation many millions of dollars annually? This is pointed out by Sir Thomas White in the November, 1935, issue of the Canadian Bank of Commerce Review, which states:

> When credits are created in favour of customers, whether borrowers or savings depositors, a bank must be always prepared to meet cash demands of depositors—in legal tender. This is the reason why a bank must always keep liquid to the extent found necessary under the experience of bankers in the conduct of the business along safe lines. To maintain the requisite degree of liquidity, varying with varying conditions, banks must hold a considerable percentage of the assets (about ten per cent of their liabilities) in legal tender.

When the banks received the loan of $35,000,000 in currency they were then in position to loan out from $300,000,000 to $350,000,000 at interest. The currency loan itself was based upon treasury notes, which in turn were based upon the real wealth of the nation. We claim that the nation could have issued that credit in the first place, thereby saving the people of Canada millions of dollars in interest. I know many people would call this inflation. For instance, the hon. member for Huron North (Mr. Deachman) is reported on page 1854 of Hansard as follows:

> When you give something to the unemployed you in reality give them a call upon goods; and when you do that by printing money I do not think you will get very far, because your money will not be of much value and you will find it a great deal more difficult to finance than you did before. When you borrow money what do you do? You take from people who have and give them in return a certain allowance called interest; we pay them for the use of their money with a promise, which I hope we shall make good, of repaying them in due course when the time comes. But when you print money what do you do? You start upon a course of inflation—

I am sure the hon. member for Huron North would not have us take that statement too literally. He said, "When you borrow money you take from the people who

have," and yet Sir Thomas White says, "The banks can loan up to about ten times the amount of their cash deposits." The Macmillan report states on page 34:

It is not unnatural to think of the deposits of a bank as being created by the public through their deposits of cash, representing either savings or amounts which are not for the time being required to meet expenditure. But the bulk of the deposits arise out of the action of the banks themselves, for by granting loans, allowing money to be drawn on an overdraft, or purchasing securities, a bank creates a credit in the books which is the equivalent of a deposit.

I quote from a speech delivered by the Right Hon. Reginald McKenna, in January, 1925, as follows:

I am afraid the ordinary citizen will not like to be told that the banks can create or destroy money. We do not like to hear that some private institution can create it at pleasure. It conjures up a picture of an autocratic and irresponsible body which by some black art of its own contriving can increase or diminish wealth and presumably make a great deal of profit in the process.

We find, therefore, according to these financial experts that when we borrow money from the banks instead of borrowing money already in existence, we are borrowing newly created money, and the total deposits of the banks are written up by that amount. The point is that it is new money. Therefore, if under certain conditions when we borrow money from banks it is inflation, so also under the same conditions if we borrow money from the government it will also be inflation. On the other hand, if under certain conditions the creation of credit by banks does not cause inflation, then the creation of credit by the government under the same conditions cannot cause inflation. So long as only sufficient credit is issued to balance effective purchasing power with the total collective volume of prices of goods available for distribution, instead of having inflation you have stabilization. This is upheld very well by charts of Mr. Carl Snyder, chief statistician of the New York Federal Reserve Bank. These charts were published in the May, 1931, issue of the Royal Bank of Canada Economic Review, and Doctor Donal Marvin, Royal Bank economist, commenting on them, says, in part:

This relationship between volume of production and trade and volume of credit is one of the most important discoveries which has ever been made by the statistician. It implies that there is a mathematical relationship between the volume of production and credit on the one hand and the price level on the other. In fact, by dividing each volume of credit by the corresponding volume of production, the level of prices at any particular moment is approximated.... Can it be that had the growth of credit paralleled the increase in the volume of production and trade, there would have been no substantial changes in the general price level, no major business cycles, no booms, no severe depressions? This is indeed a startling concept, affording hope that the social injustices inherent in all major changes in the general price level might be avoided by proper control of credit.

It would seem therefore, according to Doctor Donal Marvin, that so long as you do not issue more credit than the volume of production and trade, there is no real danger of inflation. Nevertheless I realize that it would be a dangerous procedure to endeavour to equate the volume of effective purchasing power with the volume of potential production of ultimate goods unless first of all effective means were introduced to control prices so as to establish a fair price level based upon cost of production. The actual level would not be so important as would be the bringing about of a fair relationship between wages and prices and ensuring that the price of one article was commensurate with the price of another. Then, once having established a fair relationship, the purchasing power of the people could be raised until it was equal to the total collective volume of prices of ultimate goods, by an issue of credit direct to the consumer. This payment would have to be made outside the present industrial system because as credit passes through the industrial system it accumulates costs in excess of the purchasing power it distributes, thereby failing to bring about an equation as between purchasing power and prices of ultimate goods.

Whilst advocating a change in ownership of the banks, I realize that this in itself would be useless unless the policy of the banks were also changed, because owing to the policy of the banking system at the present time the volume of financial credit in circulation at any given time bears no relationship to the requirements of the people. It is argued that the restriction of credit is forced upon a banking system by their knowledge of conditions. This claim, however, is not upheld by some notable authorities on banking. Mr. W. L. Baker, former superintendent of branches for the Standard Bank of Canada, in a criticism of the system and not as a monetary reformer, referring to the great deflation of midsummer, 1921, states:

The reduction of $43,000,000 in three months was not a national slacking-off of industry, but was without doubt due to the concerted action of the banks in curtailing and calling in loans in all directions, and contributory in a general way to other conditions which were calculated to stagnate industry.

So we may believe from this statement that instead of loans being called in on account of

a general falling off of business, it is just the contrary, that business falls off on account of restriction of credit by the banks, resulting in the closing down of factories and increased unemployment. This action is to a certain extent no doubt forced upon the banks on account of their practice of loaning promises to pay up to ten times the amount of their actual cash, with the result that in times of great expansion they become panicky as soon as their margin of safety has been reached.

To quote again from Mr. Baker:

> Bankers easily take fright. As demands for loans increase, in direct ratio comes their unwillingness to lend. When result of curtailment comes in decreased business activity, they raise the cry, "Now is no time to borrow; we are calling in our loans; you must restrict operations." And the cycle of deflation sets in, hastened by an ever-increasing timidity of bankers.

As an example of such panic I would refer the house to a statement made by the hon. member for St. Lawrence-St. George (Mr. Cahan) in a speech at Toronto in November, 1933. He is reported as having stated that from September, 1929, to September, 1933, $932,000,000 was taken out of circulation. No one would suggest that that was a natural slacking off of industry.

Money is termed a measure of value, but we find it at present to be a very elastic measure, at times swelling and at times shrinking, and we have placed the power of expanding and shrinking the dollar in the hands of a private monopoly so that they can manipulate this measure to their own advantage. When they expand credit at a greater rate than production the dollar shrinks, and when they restrict credit so that it fails to keep parallel with production the dollar expands, bringing about in a general way a depression with its consequent misery and bankruptcy. At such times we find the credit houses taking over these bankrupt concerns at a fraction of their real value, and later on selling in a time of expansion at a considerable profit to themselves. Such cases I have known in the west. Such power should not be placed in the hands of any private corporation, because their large profits can be made only by the general exploitation of the public.

Then, again, we are told that the banks are anxious to loan money to-day but that they cannot find reliable concerns willing to borrow. Industry is not prepared to expand until it is assured of a market for its products, and as industry fails to distribute sufficient effective purchasing power to buy back its own production, consumption has to be financed by direct relief or a program of capital goods production. This condition applies not only to Canada but to a majority of nations, with the result that every nation is endeavouring to sell more goods than it buys. But, if we take the world as a collection of nations endeavouring to sell more than they buy, the absurdity of the situation becomes apparent, resulting in international friction.



We in this corner take the stand that the main justification for foreign trade is to export our surplus production and exchange it for those commodities which we cannot produce economically in Canada. The chief point to remember is that if there is an insufficiency of purchasing power available to buy the total production of the country, there will also be an insufficiency of purchasing power available to buy the goods for which our surplus products are exchanged. Therefore we contend that the main problem confronting this government is to stimulate the puchasing power of the people until it is equal to the capacity of industry to produce and deliver goods. In the past we have endeavoured to accomplish this by production credit, and we have failed in our objective, for the three following reasons: Every creation of credit has been at the same time the creation of a new debt. By the very nature of its existence it has been interest bearing. Lastly, as this new credit passes through the present industrial system it will create as many additional costs as it subsequently cancels, thereby failing to bring about an equation between consumption and production. We therefore claim that in the future we must recognize the absolute necessity for financing consumption by consumption credits. This credit money might well be paid in the form of a dividend directly to the consumer so as to ensure as high a standard of living for our citizens as our total productive capacity might be able to supply.

Mr. NORMAN JAQUES (Wetaskiwin): I desire to make a few remarks during this debate. I wish to say something about unemployment and sound money, because I believe those are the keys to our trouble.

In bringing down the budget, the Minister of Finance (Mr. Dunning) stated that while trade had largely recovered, employment had not kept pace with production. That is true also in the United States. We have been told that the vital things to-day are to balance the budget and to put everybody to work. But I suggest that the vital thing to-day is to abolish poverty and destitution, and that the way to do this is neither to balance the budget nor to put everybody to work, because I believe that it is quite impossible designedly

to do either, let alone both. We cannot tax ourselves into prosperity, and we cannot borrow ourselves out of debt.

It is claimed that England has balanced her budget. But that is a result, not a cause. It is the result of spending vast sums of money on munitions and housing and other national programs, and her budget has been balanced only by going further into debt, while there are still two millions unemployed and half her population is undernourished. An individual may balance his budget by saving, but a nation can balance its budget only by spending more money.

Worth while employment and really sound finance are the results of sound economic conditions, which are the maximum production of goods and services, and that is absolutely dependent upon maximum consumption—the exact opposite of tightened belts. The latter policy, which is called sound money, is really unsound. For sound money is scarce money, and scarce money means underconsumption, and therefore underproduction and unemployment. What we can and ought to do is so to adapt our financial system that we can produce to the limits of our powers and consume to the limits of our desires. We can do no more, and we should do no less.

I have heard in this house a great deal in favour of hardship and poverty, and that these two conditions are necessary for the morale of the people. If this is true, then unless members of the House of Commons are supermen many of us are in deadly peril from working under very pleasant conditions and being by no means badly paid. Evidently this does not worry a number of the members. It does not worry the advocates of sackcloth and ashes; but then, of course, they are supermen. My belief is that we are no better and no worse than the people who send us here, and if it is right and proper that we should work under these pleasant conditions and should not be—as we certainly are not—destitute, then I say it is right and proper that those who send us here should work under the most pleasant conditions possible and be as far removed from destitution as this country can possibly afford.

I agree with the Dean of Canterbury when he says:

> It is a poor estimate of mankind that would hesitate to cure its ills for fear of its misuse of health.

He says, also:

> Poverty is a dangerous disease. It breeds sickness and evil manners, and in our efforts to avoid it we feed the very fires which produce the ruthless and acquisitive man.

Neither of those types is altogether desirable as a citizen; still less are they desirable as legislators.

It is proposed to encourage or to force people back on the land to do subsistence farming. This seems to meet with favour in this house, especially from those who know nothing about it and who have no intention of learning. The test is simple: Would you desire it for your wives and children? Well, I know what it means, because I have lived it. I say it is not good enough for my wife and children, and therefore it is not good enough for the wives and children of those people who sent us here. Absolutely, it is not good enough. I believe that true Christianity, sound economics and common sense are inseparable. If it can be shown—and it can be—that subsistence farming or any other unnecessary work or hardship, for that matter, is not common sense, then I submit that it will neither help to balance the budget nor preserve our morals. It will do the very opposite. In the main these people are unemployed because they have been replaced by machinery, and if the products of the machines are to be distributed those who have been displaced must be provided with enough purchasing power to buy back those products, or the machines must stop. Farming to-day is highly mechanized, yet it is proposed to turn thousands and perhaps hundreds of thousands of people into the bush armed with axes and picks and shovels, to make a living practically with their bare hands. I have seen the results. These people have no purchasing power; they cannot even buy tea, sugar or coffee, still less radios, decent linen and the other commonplaces of modern production. They cannot even send their children to school, because they have not the clothes with which to send more than one child at a time. Of what possible use are such people to the industrialist? Subsistence farming is not common sense to-day. There is much to be said for the simple life, but the simple life is not a sordid struggle for a mere existence; it is not a philosophy of "root hog or die," and it is quite impossible without economic freedom.

No man can serve two masters. No man can serve sound money and the people of this or any other country. What of the majority of those who are working in industry? Sweated wages cannot buy back the products of sweated industry. That is common sense. But if scarcity cannot be induced in the home then tyranny cannot be imposed in the factory. That also is common sense as well as true Christianity. We social crediters say that the object of industry is neither work nor wages but the production and distribution of goods

and services, and the only sound economy is that which will produce and distribute the maximum amount of goods and services with the minimum amount of work and trouble. That is pure common sense. Further, we claim that under the existing financial set-up it is impossible to distribute enough purchasing power to sell what is produced; that is a mathematical truth. The orthodox economists deny it, but they are paid to twist the facts to fit theories, whereas we try to fit theories to the facts, and that also is common sense.

Let us for a moment consider the replacement of men by machines. I remember some years ago working in a jam factory. It was a cooperative affair, and the local berry growers used the factory as much for the purpose of obtaining work and wages as they did for making jam, so that no effort was made to instal machinery. While that lasted, of course, it was all right, but after a time other companies came in who wanted to make jam, pure and simple. Well, they installed all the machinery they could and employed as little labour as possible; consequently they were able to undercut the prices of this cooperative factory. The cooperative company got into difficulty; the government foreclosed the mortgage and they went out of business. Two or three years ago I was through that factory again, and the superintendent showed me all this automatic machinery. Where I had pushed and shoved there were belts, conveyers and every modern convenience. I congratulated the superintendent upon his ingenuity and he said, "Yes, it is all very fine as a factory, but what I would like you to tell me is this: If we do not pay out the wages who is going to eat the jam?" If anyone can answer that question I should be very glad to hear it, because outside social credit I do not think there is an answer to it. It may be said, of course, that machinery as used in those factories will cause work of other kinds. I happen to know the history of many of those people who worked with me in that factory, and I can assure hon. members that to-day if they get their bread they certainly are not getting any jam on it.

What is the remedy? We believe that we must finance consumption so that what is produced can be distributed. Let us look after consumption and production will look after itself. We propose national dividends. We consider Canada to be one great going concern and its citizens to be shareholders, and as such entitled to dividends. No one is better qualified to speak on this subject than that very great Englishman, Doctor Hewlett Johnson, scholar, scientist, engineer and Dean of Canterbury.

[Mr. Jaques.]

Mr. SPEAKER: Eleven o'clock.

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

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## Wednesday, May 6, 1936

The house met at three o'clock.

### SUPPLEMENTARY ESTIMATES, 1935-36

A message from His Excellency the Governor General transmitting further supplementary estimates for the financial year ending March 31, 1936, was presented by the Hon. Charles A. Dunning (Minister of Finance), read by Mr. Speaker to the house, and referred to the committee of supply.

### QUESTIONS

(Questions answered orally are indicated by an asterisk).

BOUVIER HOTEL, VERCHÈRES, QUE.

Mr. LACROIX (Beauce):

1. Since 1930 to date, did the federal government purchase the Bouvier hotel at Verchères, Quebec?
2. If so, at what price and from whom was it purchased?

Mr. RINFRET:

1. No.
2. Answered by No. 1.

CANADIAN COMMODITY EXCHANGE, INC.

Mr. LECLERC:

1. What is the Canadian Commodity Exchange of Montreal?
2. Has this organization been incorporated, and if so (a) whether by dominion or provincial letters patent, and (b) upon what date?
3. When did the commodity exchange commence operation?
4. What is the nature of its business?
5. Does the organization deal in futures in agricultural products such as butter and cheese?
6. Has the organization received a permit from the Department of Agriculture to carry on business in futures as applied to agricultural products?
7. Is such business in futures advantageous to the agricultural industry, and, if not, can the government take measures to prohibit it?

Mr. RINFRET:

1. No information.

2. (a) Not incorporated by letters patent under the Dominion Companies Act. The Quebec Gazette, September 22, 1934, at page 3957, contains notice of incorporation by letters patent under Quebec Companies Act of Montreal Silver Exchange, Inc., incorporated August 24, 1934. The Quebec Gazette of October 13, 1934, at page 4266,

announces issue of supplementary letters patent dated October 1, 1934, changing name of company to Canadian Commodity Exchange, Inc.; (b) answered by (a).

3, 4 and 5. No official information.

6. No.

7. There is considerable difference of opinion as to whether trading in futures is advantageous.

ROSARIO TREMBLAY

Mr. WERMENLINGER:

1. Has Rosario Tremblay, of St. Joachim, county of Charlevoix-Saguenay, been dismissed from his position at the experimental farm at St. Joachim?
2. If so, for what reason?
3. Upon whose request?
4. What was the nature of the charges preferred against the said Rosario Tremblay?
5. Who laid such charges?

Mr. GARDINER:

1. Yes.

2. To make it possible to reemploy Antonio Tremblay whose services had been satisfactory but who had been previously dropped.

3. Antonio Tremblay.

4. No charges were preferred against Rosario Tremblay.

5. Answered by No. 4.

GEORGES HORACE TREMBLAY

Mr. WERMENLINGER:

1. Has Georges Horace Tremblay, of St. Joachim, county of Charlevoix-Saguenay, been dismissed from his position at the experimental farm at St. Joachim?
2. If so, for what reasons?
3. Upon whose request?
4. What was the nature of the charges preferred against Georges Horace Tremblay?
5. Who laid these charges?

Mr. GARDINER:

1. Yes.

2. To make it possible to reemploy Ludger Simard whose services had been satisfactory but who had been previously dropped.

3. Ludger Simard.

4. No charges were preferred against Georges Horace Tremblay.

5. Answered by No. 4.

SILVER DOLLARS

Mr. REID:

1. What arrangements have been made either by the Bank of Canada or the dominion government to meet the heavy demand for silver dollars in the province of British Columbia?
2. How many silver dollars can the mint produce per day, and (a) how many are they producing daily during the present time?

Mr. DUNNING:

1. The coins are issued by the Royal Canadian Mint to the Bank of Canada to meet requisitions received from chartered banks.

2. Minting exclusively silver dollars, 10,000; (a) 5,000.

*PROPOSED SURVEY RESPECTING ONTARIO AND QUEBEC TAXATION

Mr. CHURCH:

Will the government consider the appointment of a royal commission to make an immediate survey as to rights and position of the two central provinces, Ontario and Quebec, in confederation, with a view to giving Ontario and Quebec some relief under the British North America Act, from the present heavy burden of bearing approximately 80 per cent of the cash taxes of Canada, such survey to be on the same basis within the British North America Act as the royal commission which investigated maritime, prairie and Pacific rights within confederation?

Mr. MACKENZIE KING: Mr. Speaker, I think I had better answer this question orally. The first part of the question reads:

Will the government consider the appointment of a royal commission to make an immediate survey as to rights and position of the two central provinces, Ontario and Quebec, in confederation?

This is a matter of government policy, which will be made known when it is thought advisable so to do.

The remainder of the question purports really to give information instead of asking for it, and as such is not in order.

GUYSBOROUGH RAILWAY

Mr. McCULLOCH:

1. In what year was the legislation passed which provided for the construction of the so-called Guysborough railway by the Canadian National Railways?
2. What was the amount of bonds which the railway company were permitted to issue for the construction of the said railway?
3. What amount of bonds were issued and sold for this purpose by the railway company?
4. When was the contract let for the construction of said railway, and who was the contractor?
5. How many miles of road-bed were constructed under the contract?
6. What was the amount paid the contractor for his work under the contract?
7. When was the work of the said railway stopped?
8. What amount of money was expended from the sale of the said bonds?
9. In whose custody is the amount of the unexpended balance of said money?

Mr. HOWE:

1. 1929.
2. $4,025,000.
3. $3,568,564.81.
4. November 14, 1939—Dominion Construction Company, Limited.
5. 67 miles (grading and bridges).
6. $2,852,340.72.

7. August, 1931.

8. Expenditures under contract and expenditures not under contract absorbed entire sum realized.

9. Answered by No. 8.

USE OF NIAGARA RIVER WATERS FOR POWER PURPOSES

Mr. CHURCH:

1. Are any negotiations pending between the government of Canada or any officer thereof, and the government of the United States or any officer thereof, regarding the joint use of additional waters from Niagara river for public ownership power purposes to conserve the scenic beauty of Niagara falls?

2. If so, what has been accomplished?

Mr. MACKENZIE KING: Provision for the preservation of the scenic values of Niagara Falls and for the experimental diversion of water for power purposes was contained in the Niagara convention signed at Ottawa on January 2, 1929. In February, 1931, the convention failed to meet the approval of the United States Senate. The problems involved have been discussed with the United States authorities from time to time since that period, but no definite conclusions have been reached.

MAHONE BAY DREDGING

Mr. BROOKS:

1. Did the Department of Public Works have a contract with the Southern Salvage Company of Liverpool, for the dredging of Mahone bay in 1935?

2. How much of this work was completed?

3. Was the contract cancelled?

4. If so, why?

Mr. CARDIN:

1. Yes.

2. Approximately seventy-three per cent.

3. Yes.

4. To permit reconsideration of dredging requirements in the harbour.

MAJOR ROSS PLATO

Mr. LOCKHART:

1. Was Major Ross Plato employed on the staff of the Welland ship canal?

2. Has he been discharged from the Welland ship canal, and, if so, for what reasons?

3. Did he serve overseas?

4. Does he draw a pension, and, if so, how much?

5. Is he engaged in military activities; if so, what position does he hold?

Mr. HOWE:

1. Yes.

2. (a) Yes; (b) political partizanship.

3. Yes.

4. $120 a year.

5. No information.

[Mr. Howe.]

FRENCHMAN'S BUTTE POST OFFICE

Mr. McINTOSH:

How many dollars' worth of money orders, postal notes and stamps respectively, were sold through the Frenchman's Butte post office during the years 1930 to 1935 inclusive, respectively?

Mr. ELLIOTT (Middlesex):

| Fiscal year | Value money orders sold | Value postal notes sold | Value postage stamps sold |
|---|---|---|---|
| 1930-31 | $11,371.79 | $208.98 | $292.04 |
| 1931-32 | 15,625.92 | 307.25 | 409.42 |
| 1932-33 | 12,703.62 | 352.25 | 404.80 |
| 1933-34 | 16,860.84 | 615.79 | 446.50 |
| 1934-35 | 20,107.83 | 909.71 | 489.23 |

## QUESTION PASSED AS ORDER FOR RETURN

MINES DEPARTMENT METALLURGIST

Mr. BOULANGER:

1. Who selected the examiners who determined the qualifications of the candidates for the position of metallurgist in the Department of Mines, to which Mr. Farnham was recently appointed?

2. Did the examiners personally interview each of the candidates, and if not, who were the candidates not personally seen?

3. How did the examiners proceed to determine the relative merits of the candidates?

4. Upon what basis did the examiners determine that Mr. Farnham's qualifications were superior to those of the other candidates?

5. What was the nature of the examination to which the candidates were subjected?

6. Were all the candidates required to submit to the examination and who were those who complied?

7. What is the address of N. B. Davis, one of the examiners, and by whom was he selected for this duty?

8. What is the address, vocation, salary and age of Mr. W. B. Timm, one of the examiners, and by whom was he selected for the duty?

9. What are the addresses, vocations, salaries and ages respectively, of C. E. Garrett and L. P. Cliche, two of the examiners, and by whom were they selected for the duty?

## MOTIONS FOR PAPERS

RELIEF TREKKERS AT REGINA

Mr. DOUGLAS:

For a copy of all correspondence, letters, telegrams and other documents passing between (a) Sir James MacBrien and Commissioner Wood; (b) the Department of Justice and either Sir James MacBrien or Commissioner Wood, prior to and subsequent to July 1, 1935, pertaining to the arrival and dispersal of relief trekkers in the city of Regina, Saskatchewan.

Mr. LAPOINTE (Quebec East): I am sorry I cannot agree to the adoption of this motion in its present form. With regard to

(a), it has always been held that police communications are of a confidential nature. I think the house will realize that it would be impossible to have an efficient police system if such communications were subject to production in this house. I have no objection to (b), provided that the documents are not of a confidential nature, and that their production would not be detrimental to the public interest. Subject to these reservations, I have no objection to the motion.

Motion agreed to.

ST. LAWRENCE SEAWAY

Mr. CHURCH:

For a copy of all letters, correspondence, proposed agreements and all other documents, between the government of Canada or any officer thereof and the President and government of the United States of America or of any province of Canada, regarding a new St. Lawrence seaway, including any correspondence or documents regarding a new proposed waterway from Montreal and New York via the St. Lawrence and Hudson rivers through lake Champlain. Motion to include above papers of 1935 and 1936 only, and to include copy of proposed treaty by Canada and the United States which was rejected by the United States Senate, and of any amendments proposed thereto since.

Mr. MACKENZIE KING: The hon. member for Broadview (Mr. Church) is of course aware of the customary reservations with respect to the publication of the confidential communications with foreign governments. Subject to this reservation, documents asked for will be brought down.

Motion agreed to.

## PRESIDENT OF THE UNITED STATES

INQUIRY AS TO POSSIBILITY OF MR. ROOSEVELT VISITING CANADA

On the orders of the day:

Mr. S. W. JACOBS (Cartier): I should like to ask the Prime Minister (Mr. Mackenzie King) if he can give us any official information with respect to the proposed visit to Ottawa this summer of the President of the United States.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I regret I am not able to give my hon. friend any official information. It is hoped the president will visit Canada this year, but what may be possible will necessarily depend upon the president's own engagements.

## THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Tuesday, May 5, consideration of the motion of Hon. Charles A. Dunning (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

Mr. NORMAN JAQUES (Wetaskiwin): When the house adjourned last evening I was quoting from an essay of the Dean of Canterbury on national dividends, and I continue as follows:

The national dividend is not only possible, it is ethically warranted: Justice demands it. The increase, by which men are enriched when they work in association, is a corporate and not an individual perquisite. This increment of association which comes to us through the machine, and the harnessing of solar power, and which now fills our garners full to overflowing, has been given at the price of individual craftsmanship and independence.

Far back in time man worked alone, independent of his fellows, but ineffective as a producer. Moving out of his isolation, his production increased, but at the cost of his independence. When he tilled his own land, raised his own sheep, and wove his own cloth, he was a craftsman and independent of his fellows. When he was torn from the soil, set at specialized tasks, and organized in close association with other men, he said good-bye to independence. He constructed boots perhaps, but others wove for him and ploughed for him. He could no longer stand alone. His productive powers grew but not his wealth. He was merely—I speak of workers in general—granted a maintenance allowance. That was the initial robbery.

When, however, with machines constructed still more scientifically he made not one pair of boots but a twentieth part of one, his craftsmanship as well as his independence departed. Only his maintenance remained and, in spite of the ever-increasing production which ensued, he was still rewarded with bare maintenance and no more. The robbery increased and unrest with it. And when at last the machine reached its maturity, and the robot arrived, man had lost everything: independence, craft and maintenance as well. He was palmed off with the dole and the robbery was complete.

For all this increase of riches is in reality a corporate inheritance. It is the private property of none. It springs up in an organized society, and upon an organized society it depends.

And again:

Consider it more closely, or in the miniature as it were. If a dozen men can do more work in combination than by operating singly, and if by their combined effort they succeed in so organizing their work that at last only two are needed in its performance, are the remaining ten treated justly if left to starve whilst the two who are the last to be displaced reap all the benefits? Justice surely demands that all shall share the increment, even if wage plus benefit goes to the fortunate two.

And further:

The national dividend is the alternative to sabotage. It removes irritation, disarms the social rebel, and ends the class war. It supplies the incentive for working together and makes for social solidarity. It carries the promise of a wide extension of our fundamental liberties, crowning political with economical freedom. The dividend makes every man a freeman. It takes the shackles off the manufacturer, supplying him with customers, and saving him from the threatened alternative of government control, which all too often subjects the first-class expert to the dominance of a second-class mind. It removes the hindrance to innovation in technique and equipment and encourages invention and organization.

The national dividend gives security as well as liberty.... The dividend saves us from the menace of an acquisitive society.

And further:

Dividends give choice of a profession. Talent in young inventors, scientists, musicians or writers—and every true teacher knows what abundance of talent exists—need no longer wither because "Father says there is no money in music, art, or scientific research." Neither will there be shortage of teachers when class numbers drop from thirty to ten; nor of curates when expense of training no longer debars men from entry upon the noblest of all vocations.

A new and amazingly creative society is immediately possible; a form of society secure of its maintenance and raised above the gross materialism which degrades us now; for money ceases to engross us when we leave the world of artifical scarcity as water ceases to engross our thought when we leave the sands of the Sahara. Poverty ended and the fear of want removed, then at last indeed personality has the chance to grow and man may sally forth to the noble tasks which await him and are yet untouched.

Mr. WILTON: What authority is the hon. member quoting from?

Mr. JAQUES: I have been quoting from an essay by the Very Reverend Hewlett Johnson, Dean of Canterbury, Social Credit and the War on Poverty.

An hon. MEMBER: What page?

An hon. MEMBER: Order.

Mr. JAQUES: I have heard it remarked outside that if some members would read more and talk less it might be better for the country. We offer the national dividend as an alternative to subsistence farming, sweated labour, tight belts, bankruptcy, lunacy, suicide and war. I submit that the problem is to end poverty because to end poverty is to end all these things. Our object is to enslave the machine and free mankind, but under present conditions the machine is steadily enslaving mankind. Let us suppose that a company of men have decided to cross the desert. They know beforehand that there will be no food or water on the way, so they meet and discuss plans and elect leaders, and of course they realize that everything depends upon the strict observance of rules. They will submit to the most stringent discipline for the simple reason that the rules must be kept, their very safety depending upon this. That largely has been the condition of the world up to the present, an age of real scarcity, natural and unavoidable. But having crossed the desert and having reached the land of plenty, suppose their leaders said to these men: You shall not have what water you want; you shall not have all the food you need because if you did you would be demoralized. What would anyone say of such leaders? I suggest that they would cease to be leaders and become dictators and the members of that expedition would have either to revolt or to become slaves. That is the state of affairs to-day. This is an age of plenty, and it is precisely because the people realize in a dim sort of way that this poverty is artificial and not real that so much ill-feeling exists in society. Apparently that is what is desired by those who oppose economic freedom. We on the other hand submit that if we are to preserve our political freedom we must have economic freedom at the same time or we shall lose both. Already they are lost in Russia, Germany and Italy. In those countries every man has been put to work, but in that sense unemployment has not been solved in the British empire or in the United States or anywhere else where freedom exists; and it never will be solved in that sense, for when it is there will no longer be freedom.

Mr. W. H. GOLDING (Huron-Perth): In attempting to make a few observations on the question now before the house and a few general remarks as well, I should like at the outset to congratulate the Minister of Finance. I offer him my sincere congratulations upon having been appointed to his present position. It seems to me that this country is fortunate in having as its Minister of Finance a man with the honour, integrity and sound business judgment which our hon. friend is well known to have. Our hon. friend has, I think, pretty definite knowledge of the problems with which we are confronted, for he has had practical experience as a worker, as a farmer and as a business man; and having had that practical experience he has, I believe, the confidence of the people of Canada to a degree of which we might well, I think, be proud. The Prime Minister (Mr. Mackenzie King) is to be commended for having chosen our hon. friend for this important position.

I wish to extend to the leader of the opposition (Mr. Bennett) my congratulations

upon his contribution to this debate. Anyone who listened to his address must realize that the grasp he has of our whole economic situation has been gained only by plenty of study and hard work. Let me assure him and every other member of the house that if I say anything which differs from the views of those in opposition to us I credit them with the same sincerity as I believe I have myself. I am sure we are all interested in the problems with which we have to deal and are all trying to solve them.

It is hardly necessary for me to point out that I have not been a member of this house very long, having been elected in one of the byelections in the last parliament. But during the time I have been a member and during this depression I have looked forward with keen interest to the proposals of the government, whether in the speech from the throne, in the budget, or in any other form, whereby they have hoped to improve the position of our people. I have noticed that on every occasion the government has always been optimistic and has endeavoured to lead the people to believe that the policy submitted would improve their position. I am very glad, as I am sure every member of the house is, to note that since 1932-33, which seemed to be the low point in the depression as far as Canada is concerned, there has been a slight but gradual improvement. That improvement, however, has not accomplished what was expected in the way of ending unemployment or of improving the condition of agriculture, and I am persuaded that until the lot of our agriculturists is improved we can never hope to have prosperity or to see our unemployed back at work.

As I have listened to the discussions this session, I have been pleased to hear so many members, coming from different sections of the country, speaking in praise and satisfaction of the way in which the government has endeavoured to handle the problems that have been brought before it. If we have given the matter any study at all we must realize what a tremendous problem it is to formulate a policy which will be entirely acceptable. Realizing the vastness of this Canada of ours, the varying needs of our people, and the different ideas and viewpoints which are bound to prevail in different sections of the country, we must recognize that skilful leadership is required to formulate the policies which have been endorsed to the extent that the government's policies have been endorsed thus far this session. I think it must be a source of satisfaction to every member of the government to see how generally their policies have been supported.

In speaking on this question this year, I cannot but be impressed—and I imagine the feeling is common to many other members who have spoken since this session began—with the tremendous change that has occurred in the personnel of the membership as compared with what it was when parliament was dissolved last July. As we recall some of those who were then members of this house, our thoughts naturally go back to some of the debates which took place at that time and in which they took an active part. When our friends of the Cooperative Commonwealth Federation group moved their amendment to the address this year, I could not help recalling that in 1934, in the debate on the address, the Co-operative Commonwealth Federation or independent group submitted what I think was considered to be a very unusual subamendment. The amendment moved by the official opposition on that occasion was, of course, to the effect that the government had lost the confidence of the country. In view of the results of the various byelections, in which government candidates were repeatedly defeated, it was my opinion that the official opposition were justified in moving an amendment of that sort, which, of course, was a want of confidence motion, and of putting themselves on record to that effect. But in view of what happened to the Cooperative Commonwealth Federation candidates who appealed to the people for support, I could not understand then, nor can I understand now, how they were justified in submitting the unusual subamendment to which I have referred, and which was to the effect that not only had the government lost the confidence of the country, but the official opposition had also lost the confidence of the people.

Miss MACPHAIL: Well, they will in five years.

Mr. BLACKMORE: Less than that.

Mr. GOLDING: If I remember correctly, it was the then hon. member for Acadia who submitted that subamendment; and, by the way, I always had a very high regard for him. If we reread the debates which took place at that time we cannot but be impressed with the fact that the then leader of the opposition (Mr. Mackenzie King) had pretty definite foresight and knowledge when he moved the amendment which he did. Certainly his opinion was amply confirmed by the result of the vote which took place on October 14 last. I think we must all admit that the people have expressed in no uncertain terms their lack of confidence in the late government and, also, in those who submitted the unusual subamendment to which

I have referred. The Alberta group, who, I understand—when they first came to the house I was not a member—were in the first place Progressives; then, I think, United Farmers of Alberta; then Cooperative Commonwealth Federationists—

Miss MACPHAIL: Mr. Speaker, may I correct the hon. member? They were United Farmers of Alberta when they were elected, and they were United Farmers of Alberta when they were defeated last year.

Mr. McLEAN (Melfort): They were Co-operative Commonwealth Federation and Progressives.

Miss MACPHAIL: Is that in the Parliamentary Guide?

Mr. GOLDING: I was not then a member of the house, and I did not take it. But what I wanted to say is that the group which moved that subamendment were completely wiped out, while those who, they contended, had lost the confidence of the country were returned with the largest majority ever given any straight party in the history of Canada.

Mr. POOLE: I would like to point out that it was not the Liberals who wiped them out.

Some hon. MEMBERS: Order.

Mr. GOLDING: The majority is now so large that there is not sufficient seating capacity on this side of the house, and the government whip has found it necessary to provide on the Speaker's left seating accommodation for government members, something that has never before happened, I assume, in the history of this house. There are some who try to minimize this victory by telling us that only thirty-five out of every hundred voted for the Liberal party. Shortly after the election I noticed a summary according to which the Liberal candidates polled an average vote of something like 8,000; the Conservatives polled about 5,800; the Social Credit, 3,600; the Cooperative Commonwealth Federation, 3,300, and the Reconstruction party, 2,300. That is the average, not for those elected but for the total candidates in the field. I merely cite those figures; any one who wants to get any comfort out of them can have all the comfort he wants.

With reference to the Alberta group which has disappeared, while we may not have agreed with their ideas or their viewpoint, we recognized that they were always diligent in their duties. I believe they were honest in their convictions; they did endeavour to improve the situation for their constituents, and they did contribute some worth while ideas to the debates of the house, in which they always took a very active part. I know they will be missed very much indeed. The same could be said of many members who were in this house last session but who, as a result of the election, are no longer with us.

As I pointed out, Mr. Speaker, one cannot help but be impressed with the changes that have taken place. Of the cabinet that formerly occupied these front benches but very few remain. Some resigned because of ill health; some went to the senate and others endeavoured to secure safe positions where they would not be required to face the electors of their constituencies. All these have been contributing factors to the many changes that we noticed when we took our places in the house at the opening of this session. I should not like to overlook the fact that as a result of the election we have in this parliament another lady member in the person of the hon. member for Yukon (Mrs. Black), who I am sure will prove to be a useful member and who is to be congratulated on her success in the far away Yukon. Then, too, we have in the far corner a new movement represented by the social credit group. While the social credit theory has been advocated in this house before, as well as in the banking and commerce committee by Major Douglas in 1934, this is the first time any group has been elected definitely to advocate the social credit theory in the House of Commons. In the province of Alberta we have a government pledged to put these theories into effect. I want to say that the leader of that government is a native of my home town, a gentleman whom I know well, and who, while living in our town, was highly thought of and highly spoken of. As a young man he was one of the finest athletes you would want to meet. Naturally, since he is a native of my own town, I am anxious to see him make good. Therefore I want to appeal to my colleagues on this side of the house to give a good hearing when our social credit friends endeavour to present their views. After all, Mr. Speaker, I think we are all interested in trying to solve the problems with which we are confronted, and we should take the best of our collective ideas. I just leave that thought with my hon. friends on this side of the house.

Now I should like to say a few words in reference to my honoured leader (Mr. Mackenzie King). As we occupy our places to-day, and as we view the results of the election, I think we can all agree that the Prime Minister is certainly deserving of our sincere congratulations upon the splendid victory achieved and upon the confidence that has

been placed in him by our people in this critical time in our country's history. The citizens of Canada have confidently placed in the hands of the Prime Minister and his colleagues the task of trying to restore trade and industry in order to give employment to many who have been unemployed for years. It must be a source of satisfaction and pride to the Prime Minister to find that after occupying the position of leader of his party for some seventeen years and the important office of prime minister for nine years, the people should again turn to him and his followers in such a definite way and ask them to reassume control of the country's business. As I pointed out, on October 14 the Canadian people indicated their confidence in the Liberal leader and in Liberal policies by the most overwhelming vote on record. It was a tremendous victory, but I want to remind the government that this wonderful victory carries with it great responsibilities. As supporters of the government I think we should all realize that we shall be expected to do our utmost to solve the problems that we know are impeding the progress of this country and in many cases making it exceedingly difficult for our people to carry on. We should make every possible effort to put into effect the policies which were submitted to the people for approval, the policies of which they did approve and which I know they will expect to see implemented. I think the government should be congratulated upon the effort they have put forth and the progress they are making in carrying out that undertaking.

I should like also to congratulate my honoured leader, the Prime Minister, on the attitude he took immediately before and during the campaign, when he absolutely refused to enter into any promising contest, in which each candidate would endeavour to promise more than his opponent. It does appear to me, Mr. Speaker, that the people are fed up with this sort of electioneering. It is utter foolishness that we should try to kid ourselves and the public into believing that governments can wave some magic wand and transform things overnight. It simply cannot be done, and as far as I am concerned I made that perfectly clear to my constituents. All that any government can do is give sound, sensible business administration; I think the people expect that from any government, and they do not expect anything more.

During the campaign the Prime Minister relied entirely on the program which he submitted to this house, on behalf of his party, in February, 1933. That platform was not formulated on the eve of an election in order to win a snap verdict. The policies embodied therein were placed on the records of the house two and a half years before the election, and I am persuaded that the great mass of our Canadian citizens gave far more attention to these policies than was given by many who were then members of the house and by many candidates in the recent election. Notwithstanding the fact that these policies had been placed on the records of the house and had been given to the electors in various by-elections in which splendid victories had been achieved it was repeatedly stated during the election that the Liberal party had no policy, no program and no platform. I confess I was surprised to hear that statement made so many times by those who, to say the least, should have known better, and in my opinion they did not add to their prestige by repeating them. On the eve of the election, when the present Prime Minister went on the air, the people, some of whom were expecting sensational promises, were eager and anxious to know what he would have to say. When he simply reiterated the statements he had made in this house, and frankly told the people he would stand or fall on that platform, I can assure him it was a source of satisfaction to every one of his followers throughout the land. I say to the government that the people expect these policies to be implemented.

We should profit by experience. We should not overlook the fact that five years ago last July there was elected in this country a supposedly strong government, a government that had sufficient numerical strength to put through any measure it deemed to be in the interest of the country. That government had practically a free hand to enact its legislative program without having to cater to independents or oppositionists of any kind. It was conceded by all at that time that the then government occupied a very strong position. I think it is conceded also that that government did not long enjoy the confidence of the people. There was reason for that. I doubt very much whether a government was ever elected from which so much was expected, and I doubt also whether a government was ever elected which had given such definite promises as to what it would accomplish. I am not for a moment questioning the sincerity of those who made them, but promises were made that seemed quite impossible to fulfil, such as the promise to end unemployment. Through that failure to fulfil its promises the government lost

prestige, and it was a significant thing that notwithstanding its numerical strength in the beginning, on the eve of the last election we found cabinet ministers giving up their positions in unprecedented numbers. There was of course a reason for that; for during the late government's term of office there were from time to time strong indications that the policies which were being put into effect did not meet with the approval of the people. There were the by-elections, in which their candidates were repeatedly defeated. Provincial elections also indicated that the people were far from satisfied. With all these indications of dissatisfaction it is little wonder that on the eve of the general election cabinet ministers were deserting their leader who five years before had placed them in these important and prominent positions. True it is that there were those who filled the breaches by accepting portfolios, but many of them were swept aside by an avalanche of votes against themselves and their government. With the exception of the province of Alberta public opinion as expressed by the ballot indicated that the Canadian people believed that the policies of the Liberal party as outlined by its leader were best suited to the needs of this country. I again urge the government to see to it that these policies are put into effect.

These are some things which we should endeavour to do. We should endeavour to reduce the cost of government. This is a matter which has been discussed many times and on many platforms. Indeed I referred to this question when I spoke on the budget in 1934. It is a question that can be taken up in the federal-provincial conference. Then we should endeavour as far as possible to get back to a condition under which the members themselves will have to take more responsibility. In this way I believe the cost of government can be reduced, and the burden of taxation which is crushing our people can be lightened. We should also endeavour in every way possible to lessen the spread between the price that the basic producer receives for his product and the price he has to pay for the commodities he has to purchase. It is essential that this be done if Canada is to come through.

We should economize in every way possible in the expenditure of public funds. I stand behind the Finance minister in his endeavours to achieve that end. I confess I have been surprised, in listening to the discussions this session, to hear suggestions made which if put into effect would involve the expenditure of many millions of dollars. Hon. members complain about the sales tax. I assure them there is no one in this house who is anxious to have a sales tax of eight per cent, but when they suggest enormous expenditures I say that if we are going to do that sort of thing we must not complain about taxation. The municipalities and the provincial governments are complaining that they are not able to meet their obligations, and they ask the federal government to come to their assistance. But we must keep in mind the fact that the federal government derives its revenue from the pockets of the taxpayers, and unfortunately too often they are the very taxpayers that the municipalities and the provincial governments claim they cannot tax any further. In all fairness to everyone we must keep that in mind when we are making requests for our constituencies. In listening to the discussions in this house and reading the demands that are made, one would think there is supposed to be some sort of reservoir in connection with the federal Finance department out of which all could take sufficient to satisfy their needs and never touch bottom. The sooner we get rid of that idea the better it will be for all concerned. There are those who suggest that we ought to print money, or that the government ought to issue credit and currency without any interest, and all that sort of thing. I am not going to attempt to debate that question. Personally I have sufficient confidence in the gentlemen who are now occupying the treasury benches to believe they will go as far as they possibly can and as far as they think it is wise to go along this line. I leave the matter at that.

Another thing I think we should do, although I know there are some hon. members on the other side who will not agree with me, is to reduce to as low a point as possible the tariffs on essential articles. Now is the opportune time to do it, because I am satisfied that many countries which have been trying to make themselves prosperous by sending trade barriers skyrocketing are ready to consider a reduction in tariffs. This, therefore, is the time to make new trade arrangements as quickly as we can.

I listened to the discussion last night of the implement business and the position of the industrial worker. I have heard these discussions many times. I have been an industrial worker myself and I am as much interested in the industrial class as anybody in this country, but listening to the discussion last night I was surprised to hear some of the statements that were made. I venture to make this assertion, that if one will look into the books of the machine companies since 1890, to go back that far, it will be found that

during the years a Liberal government has been in power these companies have made more money and been more prosperous than at any other time.

My hon. friend from Greenwood (Mr. Massey) speaking in the debate last night said:

> I am sent here by an industrial riding; I am sent here to represent the industrial worker, and so long as there is breath in my body and red blood in my veins I will plead his cause. And I say to-day that the jobs of 18,000 men are at stake.

He was referring to the implement industry. I have in my hand, Mr. Speaker, figures supplied by the bureau of statistics as to the number of men employed in the implement industry since 1920, and I find that during the nine full years from 1922 to 1930, both inclusive, the average number employed in the implement industry was 8,780.

Mr. MacLEAN (Prince): He was only ten thousand out!

Mr MASSEY: Will the hon. member permit an interruption?

Mr. GOLDING: Certainly.

Mr. MASSEY: The figures just given by the hon. member are absolutely incorrect.

Mr. McLEAN (Melfort): They are bureau of statistics figures.

Mr. GOLDING: I do not wish to quote any figure that is not correct, but when I get a table of figures like this from the bureau of statistics I accept it.

Mr. MASSEY: The figure of 18,000 includes those who are employed directly in factories and those who are indirectly employed in the warehouses, agents and all that sort of thing.

Mr. McLEAN (Melfort): The latter class would be required if all our implements were imported from other countries.

Mr. GOLDING: The hon. member for Greenwood said last night:

> And I say to-day that the jobs of 18,000 men are at stake. Yes, and how many more jobs are there at stake in industries which contribute raw materials?

Well, Mr. Speaker, I am giving the figures of the bureau of statistics on the implement industry, and they show that the average number employed in the industry from 1922 to 1930 was 8,780, and that the average number employed during the last four years—I have the figures only up to 1934—was 3,500. They also show that the average wages and salaries paid in the nine years from 1922 to 1930 was $1,206, as compared with an average of $1,010 for the last four years. I want hon. gentlemen also to note this: The average production per annum in the nine years from 1922 to 1930 was in round figures, $31,723,000, and the average for the last four years was $7,457,000. So that I do not know why any industrial worker should get so enthusiastic about high tariffs. Of course I appreciate the fact that these are figures for previous years and that we have the conditions of the present to deal with, but so far as that is concerned I would be quite willing to go back to 1890 for figures on this question. I cannot understand, Mr. Speaker, how people will get so enthusiastic for a high tariff with figures like this before them.

What is more, in 1929, the last full year the Liberals were in power, there were in operation in this country sixty-two implement plants, and in 1934 there were only thirty-five, not much more than half. Those are figures supplied by the bureau of statistics. Yet during the last election, and we heard the same thing in 1921, hon. gentlemen opposite told the people that if the Liberal party came into power these workers would be out of employment. I think the industrial worker is pretty well fed up on that sort of thing, and I speak as one who has had practical experience for many years.

There is another point I want to make.

Mr. SPEAKER: I must inform the hon. member that he has spoken more than forty minutes.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, coming from the industrial province of Ontario, I think the budget will be of very little help to the industries of our province or to agriculture.

Those who sit in this part of the house have always had a consistent tariff policy for the people of Canada, which policy through the dark days and the good days has proved to be the only salvation of industry and of agriculture. We believe in a protective tariff, brought up to date to meet any abuses which may have got into the system, a tariff that will serve not only for revenue purposes but to protect the working people of this country. That has been the consistent policy of the Conservative party since 1878, and it has made Canada the industrial nation she is to-day. We believe in a fair and equitable application of the doctrine of protection on behalf of the Canadian people. A right application of the doctrine of protection, brought up to date, will meet all our economic ills, whether in the maritime provinces, the central provinces, or right across the country to the Pacific coast province.

What is that doctrine? Its objects are twofold: the preservation of our own work for our own workmen, and of our own markets for our own products. But this budget forgets all about the home market. It forgets all about the industrial and suburban worker. Industrial ridings like Hamilton, London and parts of Montreal and Toronto stood fast in the last election against all the propaganda which was put on the bill-boards, "Vote Liberal, beat Bennett and bad times, and end unemployment." I come from an industrial city which has been built up by protection. Away back in the early seventies many people left Toronto and as a result of free trade Chicago became the third largest Canadian city. What have we in this budget? On the one hand, we have the peak of taxation, the highest taxation we have ever had, and on the other, we have the other extreme, the lowest protection ever given in this country. This particular budget will act as hangman and undertaker for the great agricultural implement industry. The farmers may save a few dollars in buying their machines, but before long they will rue the day because as soon as the American implement trust finds out what is going on over in Canada, up will go the price of machines. That has been the history of the industry on both sides of the border.

The primary function of this budget is to take $30,000,000 in cash from the taxpayers in the industrial provinces. That is where the money is going to come from. I notice that the treasury benches are practically empty this afternoon. Many of those who sit there seem to consider that the bringing down of the budget should be celebrated by a holiday. There are enough people away on holidays without this house being practically vacated when the budget debate is on. This budget means life or death to the merchants of this country and yet the members of the press gallery and most hon. members retire from the chamber. I do not know what is going to become of the industrial workers.

The sales tax is being raised to eight per cent, a prohibitive rate. Six or seven years ago there was almost a rebellion in the United States against a proposed sales tax. The workers rose up in all the large cities and protested, with the result that the government had to come to time. When the new deal was brought into being by the present president, the sales tax policy was withdrawn. The sales tax is one of the innovations of modern times. It is an imposition that is passed on to the consumer, the working classes, the only man not protected to-day. The sugar tax remains.

I notice that the corporation tax is to be increased from 13½ per cent to 15 per cent, and the rate in connection with consolidations is increased from 15 per cent to 17 per cent. The Minister of Finance (Mr. Dunning) has announced a deficit of $162,000,000. The minister has been everything by fits and starts on the tariff, and nothing long. When he was out on the prairies he was a free trader. The political party opposite has always been on the tariff everything by fits and starts and nothing long. The farmers in the west have been told that their enemies are the manufacturers east of the great lakes, but their greatest enemies are really west of the great lakes. I refer to the middlemen and profiteers, the elevator combine, the grain exchanges and the dealers and gamblers in futures. They are more deadly enemies of the man who grows grain than is the agricultural implement industry east of the great lakes.

I am for the protection of the jobs of the people in the province from which I come. The minister has said that there is a deficit of $100,000,000, but the way I figure it this deficit is about $162,000,000. This is a staggering amount. The country is on the verge of bankruptcy. These taxes will come from the earnings of the industrial workers in Ontario and Quebec. There are not many hon. members from Ontario present in the chamber, although some of those who sit to my right have been always in attendance. However, there are some left here to protect the old province of Ontario.

Drastic reductions have been made in the duties on gasoline, automobiles and agricultural implements. No doubt these reductions have been made at the instance of the Prime Minister (Mr. Mackenzie King). During the debate on the reciprocity trade agreement that right hon. gentleman said that he hoped the Minister of Finance would bring the tariff down still further from 12½ per cent, and rates on agricultural implements have been reduced now further to 7½ per cent. This is a sort of Alphonse and Gaston performance from one minister to the other, an effort to make a political football out of the agricultural implement industry. Wait until they see what happens to the farmers of Ontario. This industry employs 18,000 men altogether many of them in the city of Toronto. I notice that the hon. member for Parkdale (Mr. Spence) and the hon. member for Davenport (Mr. MacNicol) are present this afternoon. The greater parts of

wards five and six were built up after the national policy came into effect. The Massey-Harris industry is located in this part of Toronto where their workers also live. Hundreds of homes were built by them and a home market for the farmers was provided in the Toronto district by them for the farmers in the counties of York, Peel and Ontario. These workers will have mostly now to go to the United States.

I notice that the countervailing duties are brought to life again. These were introduced by the minister in his budget of six years ago and are apparently thrown out as some sop to the industries in view of reciprocity. I suppose this has been done because of what some hon. members heard when they went back home over the week-end. This parliament never meets without making millionaires out of some and paupers out of others. This budget, following as it does the Canada-United States trade agreement of a month ago, is going to have a devastating effect upon the industries of Canada. Spring is here; May 1 is past, and many industries were going to take on additional workers, but now that cannot be done because of the uncertainty and doubt and burdens imposed on business conditions under this tariff. No business man will be able to expand his business and the result will be that the depression will be continued. I do not know of any greater blow delivered to the unemployed of this country during the past five or six years than this budget which will make millionaires out of some and paupers out of others.

If there is one thing for which the previous government could be commended, it was the enactment of the Farmers' Creditors Arrangement Act. Eleven thousand farmers who owed $51,000,000 have been able to reduce their liabilities by more than $15,000,000. The saving in interest charges has amounted to $1,228,000. This was a most remarkable achievement in a time like this. The farmers were freed from the burden of their mortgages; they were given a chance to have a broader outlook for the future. What is more important, they were kept on the land. By legislation passed last session, this act was extended to the fishermen of the dominion. The right hon. gentleman who leads this party (Mr. Bennett) announced in his radio addresses that this legislation would be extended to the industrial workers. No doubt this extension would have been put into effect had it not been for last October. This record of achievement has not been excelled even in the United States. I have a copy here of the home owners' loan act and the housing act in the United States which has saved the homes of one million farmers and others, but if we consider our population, their achievements have been exceeded by the Bennett acts for our farmers, and the farmers have been left in their homes on a new basis to cope with the future.

I was very much disappointed on hearing the attacks made on the agricultural implement industry. With this budget the International Harvester works in Hamilton will be able to or may have to close up entirely. All the implements now manufactured there can be manufactured in Chicago and shipped to Canada as the protection here will not equal the taxes here. This company will be able to save the Canadian taxation made up of federal and municipal taxes. They will be able to manufacture in Chicago under sweated labour and child labour conditions and under conditions permitting child labour. We should not forget 1880 when there was a great exodus to the city of Chicago. As the late mayor of Chicago, Carter Harrison said, that city became the third largest Canadian city in the world. The plight of the three main implement companies will be terrible. The Massey-Harris Company lost their export market because of the depression abroad and their home market is now being taken away from them with the reduction in their protection to 7½ per cent. That protection will not pay the dominion, provincial and municipal taxes on their plant.

I may say that the raising of the tariff does not of necessity mean a rise in wages. It gives the producer larger markets at home and reduces the cost of production. The whole history of this industry in Canada shows that the reduction in the tariff gives the cream of the market to alien manufacturers, and the moment they crush their competitors prices go up again with a jump and the consumer is forgotten. This budget will practically ruin this great industry, in which 18,000 Canadians, many of them returned soldiers, are engaged. The industry manufactured $26,000,000 worth of agricultural machinery in 1924, and now it is jeopardized. I am not pleading protection for the manufacturer's sake but for Canada's sake and for the sake of the jobs of these men. I believe in protection to protect the consumer against unjust prices, just as I believe in a truly protectionist policy to protect the manufacturer against unjust and unfair competition. I am not here with any brief for the Canadian manufacturers of agricultural implements, but I am concerned about the jobs of Canadian

workers in Canada. We do not want to see too many Canadians driven out of the land for which they fought at the risk and hazard of their lives.

If one-tenth of the time that has been devoted in this building to the Hon. Mr. Sage were devoted to a consideration of the problem of the unemployed it would be far better for the country. The government has come to worry over Mr. Sage. Well there are other sages but not of that type. The best informed sage is the man on the street; he knows how this tariff will affect him and he is sick and tired of the way the present government is playing the game of politics in this House of Commons in the committees and on commissions the game of the ins and the outs. We have no committee on unemployment but we have a committee investigating Mr. Sage. The government has been in office for six months and what has it done for the unemployed? Nothing. And we have no committee on unemployment. But the government has seen to it that Mr. Sage should be the star of a committee.

While this has been going on Mr. consumer has been relegated to oblivion and with this eight per cent sales tax the average citizen will be unable to buy anything. The textile and clothing manufacturers have got their goods on the shelves of the stores and now they have done that the government comes along and imposes an eight per cent sales tax so that the average citizen not being in a position to buy these or any goods, the goods will remain on the shelves till next fall. The situation is aggravated by the fact that people with motor cars will cross the border and buy goods of $100 value in the cities bordering on the great lakes at the expense of our retail merchants who pay taxes. And what is the great sage of the Labour department doing? I do not see him here this afternoon but it has been announced that he is going to Toronto to deliver an address—to whom? Is he going to address the working classes and read Carlyle to them? No. He is going to address the Canadian Manufacturers' Association. I hope that while he is there he will visit some of the retail stores on Queen street, Danforth avenue, Yonge street and other business sections and find out from the retail merchants what they think of this new policy of enabling the owners of motor cars to go to the United States and bring back $100 worth of goods. What will become of these merchants? We saw the suffering of these men when the mass buying investigation was going on. Instead of looking into the plight of these men the house has been engaged in investigating Mr. Sage. What does the man out of work care about Mr. Sage? The sooner this sort of thing is abolished the better.



The government has done nothing to help to provide jobs for the working classes. It seems to me that it is time for the Minister of Labour to announce a change in the name of that department, for under his auspices it has never been a department of labour. The sweatshops and child labour are flourishing as never before. Look at the condition to-day—child labour, combines in restraint of trade, chisellers, and banks paying their young employees, after two years, $33 a month. So that we find the statement being made that it is no wonder some of these men are forced to take money out of the till once in a while. Why does not the minister regulate this? Why is he not up and doing when he has the report of the mass buying commission? What does he want Mr. Purvis of St. James Street for? That gentleman had better bring about labour wages and proper conditions in the Bell Telephone Company, the Sun Life and all these other companies—one in my own constituency—before weeping copious buckets of tears for the industrial workers of the country. I say that the department should change its name and should be known, not as the Department of Labour but as the Department of Capital. That is all it amounts to under the present Minister of Labour. I want to know the time and the place where the present government ever did anything to protect the consumer or to give Canada relief from sweatshops, child labour and chisellers, who have made a Roman holiday out of the exploited worker, as the investigation of last year shows. This government does nothing but refer to the supreme court the social legislation passed by the late administration.

What has the government done in this budget in connection with unemployment insurance? One of the planks of the Liberal party's platform in 1919 had to do with sickness, unemployment and health insurance. What has become of that? After seventeen years not one word about it is mentioned in the budget; there is not one word for the workers. Yet we have a labour department. The minister, a former college professor, has been advising people to go back to the land. There is nothing to go back to the land for except starvation; for the men on the land cannot make production costs under this free trade policy. Why do not some of the college professors themselves go back to the land? Why does not the Minister of Labour advise some of the manu-

facturers to spend three or four months on the land? Why does he not advise Charlie Burton of Simpson's store to go back to the land? That gentleman snaps his fingers at parliament. He proposed a policy last summer for the regimentation of youth. Why does he not go back to the land? He can snap his fingers at parliament; he can snap his fingers at the fourth estate and say, "I dare you to report the proceedings of a committee of the House of Commons because if you do you will lose your advertising to-morrow."

At Washington an investigation has been held into the newspaper business, and you would be surprised to read what I have been reading. Last session the senate here threw out a bill intended to cope with that situation and disclose the identity of ownership. The press of the United States is being corrupted with propaganda. I have here the proceedings at Washington and they have crossed into Canada, and we have seen what they have been attempting to do to destroy the press, this great protector of our liberties. For, let me say, we have a splendid press in Canada and I wish to speak in admiration of it as a unit. The press as a whole has done wonders and admirably during these dark days of depression. If we had not had a courageous public spirited press throughout Canada the state of affairs would have been worse. This parliament should come to the support of the free press of this country, both the urban press and the rural papers which are doing so much to maintain the free institutions of Canada.

In my opinion this large sales tax will mean the end of the capitalistic system. This government has done more than any other agency, by means of this budget to let in the socialists in 1940, or 1945 at the outside. A wise Frenchman once said, "With what little wit the world is governed." When he wrote those lines he must have been thinking of Canada under the present government, because after all these commissions and committees and subcommittees finish their work they will almost rival the celebrated committee of 100, the committee which, under Liberal auspices in the province of Ontario, was to close the bar and save the boy. Once they closed the bar they forgot all about the boy, and the bar is reestablished in a new form. Now that all these commissions and committees have been reappointed, we find that the House of Commons is just going through its paces; that parliamentary government is a farce; that we have no real parliamentary government here because in all these proceedings the house, as I say, is just going through its paces; the real debates and work is done behind closed doors in a star chamber. The executive and caucus and the main problems of government are settled in secret. What will the people back home think of this system of commissions and committees and subcommittees? You have as a result the government of Canada reduced to what? To a government of caretakers; that is all they are, since the powers of parliament are being crucified and its functions handed over to useless commissions. The government have no cause to worry over Mr. Sage. I think if they appointed Mr. Sage to the senate it would be a proper recognition of what he did, or give him a gold watch and illuminated address.

Some hon. MEMBERS: Hear, hear.

Mr. CHURCH: I hope that the Minister of Labour (Mr. Rogers) when he meets the Manufacturers' Association to-morrow night, will tell them that in Canada the economist has been exalted to a position he is unable to sustain. Economic thought is very useful, but no nation can rule itself by the advice of economists. Their advice varies and their conclusions are as far apart as the poles. In the last century science came, very rightly, to occupy a high place in the opinion of the people of the world. But economics, as preached from the housetops by the Minister of Labour and his friend the late Thomas Carlyle, is not and never has been a science like physics, or medicine or chemistry; it has never been able to predict anything with accuracy; its convictions are all in the realm of opinion and doubt, and you can take your choice from among them.

The main fight in Canada is not with Liberalism, but between socialism and communism. The man in the street is sick and tired of the way the politicians are playing this game. A truly national policy would not allow the Canadian farmer or any other consumer to be stung for an unfairly high price for agricultural implements, automobiles or any other unit of Canadian industry. A truly national policy would provide an excise duty that would put into the public treasury every cent charged for agricultural implements or automobiles or any other product manufactured under protection at a price which represented fair wages to the workman and a fair profit to the manufacturer. I know this proposal will be met with the shout of "paternalism." I would sooner have the paternalism of a protectionist government than the paternalism of the Winnipeg Grain Exchange and its allies, and the paternalism of a free trade that robs the growers of the best wheat in the world out of $25,000,000 per annum in the price of wheat, and puts that $25,000,000 into the pockets of

the American middleman who handle that wheat. We shall have to have more paternalism in the management of this country's reserves and the promotion of this country's welfare.

Canada is not being carried along the road to a fulfilment of its destiny as fast and as far as we could wish. Too many Canadians are being driven to carry themselves along the road that leads to a job under the stars and stripes. I am no more a defeatist on the issue of Canada's future in peace than I was a defeatist on the issue of Britain's victory in war. I believe in the certainty and greatness for the Canadian nation inside the British empire. I admit the height and number of certain obstacles to the attainment of that greatness. These obstacles are no visitation sent upon us by providence. The worst are of home manufacture, the product of laissez faire, free trade and the teachings of the Manchester school. We are back to 1924. Ontario took four years to recover then, up to 1928, from the free trade preaching and blue ruin prophecy. In 1924, Ontario gave a negative answer to the question: Shall a province that was saved by Brock be ruled by Drury? Ontario sent the Progressive end of the Liberal party about its business when it preached free trade. Ontario learned then in 1924 that a few months will not suffice to bring back the business opportunities which were driven away from the province by the Hon. E. C. Drury and the other would-be Progressives who called themselves farmers, but who were party-first agrarians, not genuine, patriotic Ontario farmers. What I said on this matter ten years ago is true now. When the issue of protection is raised in peace the farmers of Ontario have never failed to stand by their country in the polling booths. When the issue of Canada's existence is raised in war the farmers of Ontario—I mean the genuine farmers who actually work on the farms, not the party-first farmers—have never failed to go themselves or to send their sons to the battlefield. When free trade is preached, as is being done here, by those who wish to destroy the agricultural implement industry, I predict that its supporters will meet with the farmers the same fate when they go to the polls again.

The Conservative party has been consistent. Why has there been no prosecution of these coal people? Are we to wait until next winter to inquire into the high price of coal? Why has there been no aid to the municipalities? Winnipeg can get $900,000 for a trunk sewer. I am glad to see the city get it, but let other municipalities in on it. I have never opposed grants to the prairies. But I want to see equality of treatment. I know the way in which the people of the west are suffering through drought and many other conditions, and a national emergency created, and Ontario and industrial Canada want to see them get all they can; God knows they need it. But I wish to see equality of treatment, protection for all the people all the time and not protection for some of the people some of the time. I am not objecting, and never did, to prairie votes, in anything I have said here, to proper votes for the prairies and for the suffering there, or for the farmers all over Canada as well as aid to industrial workers who now get nothing. But what I ask for is protection along specific lines. For railway services we are handing the Canadian Pacific and National Railways $3,100,000, which is nothing but a bonus, subvention and subsidy. Not a word has been said in this house, even by those of a socialist tendency, as to what should be done for the suburban workers, yet the suburban workers of this country are suffering untold hardship. Instead of putting people on the land on the outskirts of the provinces, if the government would only get some land near the cities, and give some of these men who are out of work a two or three acre lot, with enough agricultural implements, and some cash help for two or three years, it would get them out of the slums and solve the housing problem, with the assistance of the Canadian National Railway in the matter of commutation cheap tickets. We could usefully copy what has been done in London, England, where industrial workers are housed in an intelligent way in the outskirts. But no, the government wants to have professors in this house and out of it, while industrial workers are carted up to new Ontario, where they will never make anything out of the land, and where those who are now there cannot make anything now, even production costs.

I believe in a policy along the lines I have suggested, because under it, in my opinion, some of the deficits threatening the national railways would be eliminated. This vote for a national trunk highway across Canada is, in my view, an economic wastage. Here we have one, two, three transcontinental railways, and now you are going to build a big national transcontinental highway for motors. What is the result of that policy? You are simply handing out a subsidy—to whom? To the oil industry and the automobile people. While we have three national railways built by the Canadian people, you are going to build a competitive route and a free right of way for the use of motor trucks and motor buses to compete

with those railways and to increase the deficits of this country and these national highways are a direct subsidy to the oil industry at the expense of our railways and a competitor. Our road policy herein is notoriously uneconomic. This is nothing but a direct subsidy to the oil industry. These railways have had to create rights of way of their own, unaided, at the expense of the people of this country while the motor industry has a right of way given to it free, with which to parallel the three existing national railways. I admit that provincial good roads are necessary; my hon. friend from Parkdale (Mr. Spence) and I were pioneers in the good roads movement in Toronto in 1907. But I say this elaborate and uneconomic road policy is all wrong; it is not going to do anything for the suburban worker; it is only giving a direct subsidy to the oil industry and these huge expenditures could wait and are uneconomic at present, and increase taxes.

Now, Mr. Speaker, I should like to say a word or two about constitutional and parliamentary cabinet and law reform, because I think that is the main question before the Canadian people to-day. We must change our method of doing business in this house. The past year has witnessed the decay of parliament and the decline of the House of Commons. Parliamentary, constitutional, cabinet and law reform is long overdue in Canada. I have not time to go into the question in detail, but my main grievance with our parliamentary system here is that it is well on the way to being upside down. We sit here in a committee composed of 245 members. The committee is too large; it is unwieldy. If we were not three hundred years behind the times we would have a committee on estimates. When we take up estimates in committee of the whole we are simply holding a post mortem. The government should not fall by reason of the reduction of a vote. At the present time if an expenditure is reduced to $1 the government must resign. In my opinion that system has seen its best days. We should adopt the municipal system and set up a committee on estimates. Some of the private members of this house who have not a large amount of work to do —and that would include some of the ablest members—could sit on that committee. They could sit round a table with the heads of the various departments, and I venture to say that aided by our able officials they could strike $100,000,000 off the estimates of the country. In the municipalities the city councils and boards of control follow that practice when their estimates are under consideration.

There are many points with which I could deal in connection with this question of reform. There is the question of the senate. I have never opposed having a senate in this dominion. Far from it; I have always supported the senate. They are all fine men. I believe it serves a very useful purpose, but I want to see the senate do something along the line of work done by the senate of the United States. The history of the world is the history of minorities, but the history of Canada has been the history of compromises. The senate might perform useful work; it contains some very able men who have given a great deal of time and attention to the affairs of this country and some from here are its best members. The senate should consist of the lords of mind and intellect of Canada. Like the United States senate, it has all the powers it needs, if it would only enforce them and assert its functions. Let the senate go into St. James street and big business as they did at Washington and let it deal with many other matters, including the question of unemployment and get reforms.

In my opinion the time is coming when income tax returns should be made public. You can go to the registry office and look up a particular chattel mortgage, a bill of sale, a deed or a will, but you can get no information about income tax returns. No free nation has been prevented from developing along those lines. In the United States Pierpont Morgan did not pay a penny of income tax for years, and no one outside the house of Morgan was any the wiser. The United States senate held an inquiry into Wall street and financial racketeering there, and showed what was going on. They also disclosed what had been taking place in the way of newspapers being bought up in order to destroy public rights and the country's natural resources and public men who stood for public rights.

In conclusion, Mr. Speaker, I should like to say a few words with regard to the League of Nations. I believe the British fleet has been the only form of collective security of any value for some time past. I believe that before God the people of Great Britain stand as the appointed trustees for the peace of the world. Canada, which was first in the Diamond Jubilee procession, has been a slacker and has not contributed a cent to the maintenance of this fleet which in peace and war alike has kept open our trade routes and defended our shores. The boy scouts and girl guides are about all we have to show by way of an offensive force to-day. The league is failing; one by one its members have become covenant

breakers. After joining the league and agreeing to act as a moral police force whose authority was to be imposed collectively against treaty and sanction breakers without distinction as to race or creed, what have the members of the league done against covenant breakers? They have done nothing. Canada refused to impose certain sanctions and would not contribute a farthing to help keep open Canada's trade routes on the seven seas. She would rather listen to the pacifists and depend upon the British taxpayer for maritime security, while the British taxpayer was taxed on his tea and coffee in order to pay the cost. If socialism and pacifism are allowed to go their gait any longer, this will lead to the dismemberment of the British empire. If ever a nation wanted a George Canning it is England to-day. The whole foreign policy of England has been built up round Locarno and now that pact is a mass of ruins. So is the League of Nations and it is now in retreat. There are seven separate Locarno pacts all broken.

In my opinion, the league is to blame for its complacency in allowing slavery in Ethiopia, where five million slaves are simply chattels for profiteers. The league has never been anything but a piece of diplomatic machinery, dealing in compromise and never settling any question aright nor concerned with justice per se. We are still entirely dependent upon the British fleet to protect our shores. I think it was well that Mussolini went south and landed in Ethiopia instead of coming west to some of the British dominions. God forbid we should ever have war again on our own soil. If he had done so we would have had a rude awakening, and we may have it yet. There are those who want to hold an election in time of war and trouble, which by the grace of God we hope will never come. I am opposed to war, as is everyone else in this country, but the people of Canada will never allow Mr. General Election to become commander in chief of the British forces or Mr. General Election to ever become admiral of the British fleet. Before Mr. General Election could get his ballot boxes out the enemy will have sailed up the St. Lawrence, blown down the citadel probably and bombed this building. Let us face the facts. When that happens we shall learn something of what we owe to the maritime security of England.

No effective support for the League of Nations can be hoped for while it deals in compromise and platitudes and refuses to face the facts; recent events have shown that to be so. In my opinion Canada should get out of the league while the going is good.

[Mr. Church.]

Since 1919 the league has been nothing but an institution for the promotion of strife, ill-feeling and mischief between nation and nation. It has failed, as similar leagues of the past have failed. I am not opposed to the league in many ways; it has done some useful work, but it has made many mistakes. Formed to prevent war, by its mistakes it has brought about war. Instead of sticking to its last it has meddled in the internal affairs of every petty state with regard to labour and capital, and its meddling has kept the world in a perpetual turmoil. Now, after fifteen years, we see the utter failure of Woodrow Wilson's fond dream of open diplomacy. Of the great powers four, the United States, Germany, Russia and Japan, are now outside the league. At present it consists of little more than the allies who won the war. The withdrawal of Japan and Germany means that in future the smaller states will exercise more influence at Geneva, and as they have been the principal cause of international unrest for the last ten years this development is not reassuring. Now we find that Italy and France are none too keen about the league.

I sympathize with those who are friendly to the League of Nations; I am friendly to it myself, but I think it should be reorganized and made more useful and should include the United States, Germany, Japan and Russia. It is no use as it is now, without a police force. These covenants are made only to be broken. Why, we have had seven Locarnos and they have been broken seven or eight times. In future we cannot rely on any more of these Locarno gentleman's agreements, such as we have had with Italy and other countries, without the possibility of war facing us, because the only way to enforce these pacts and covenants is by war. We are at the parting of the ways; this league has failed every time it has had to deal with a major problem. The United States and Russia and Japan will not join the league until they can secure for their people a weight in the councils of the league at least equal to that exercised by the nations of western Europe. These agreements and pacts are never binding, are never intended to be without a war. The world is back where it was in 1914; it is an armed camp. The pacts will be kept as long as it is in the interest of all parties to keep them, but any party that feels like doing so can waive them. The pacts are impossible. The treaty of Locarno can be enforced only by war; sanctions mean war. Canada, which was first in the Diamond Jubilee procession, backed out of Locarno. It now remains for

Mussolini to take what he wants; he has captured Abyssinia and we are back where we were. No doubt, Germany will get Austria and her colonies next. The league is in flight. Since the great war there have been over one hundred pacts and treaties between the powers but those pacts and treaties have disappeared and the league is reduced to a modern tower of Babel, and is powerless against an aggressor. British foreign policy which relied on Locarno as a pedestal is a mass of ruins. So is the league. Italy is discredited.

Canada is at the parting of the ways and the sooner she wakes up to the realities and faces the facts of the situation the better. I am not opposed to the principle of a League of Nations; I am a supporter of a real league. But as long as it is conducted as it has been it will never be a success. Canada can thank the mother country for membership in a real League of Nations; the British fleet is the only collective security the world has against tyranny and oppression.

Mr. DEPUTY SPEAKER: The hon. member has spoken for forty minutes.

Mr. ANGUS MacINNIS (Vancouver East): In rising to speak in this debate I wish to associate myself with those who preceded me in congratulating the Minister of Finance (Mr. Dunning) on the way in which he presented his budget on Friday last. I regret however that while I associate myself with the hon. member for Huron-Perth (Mr. Golding) in his attitude regarding the importance of these great questions and in his wish to feel that every hon. member is interested in finding a solution for them I cannot associate myself with his approval of the budget or the policy that it implies.

There are two points with which I wish to deal immediately. First the increase in the sales tax. There is no doubt that this will be very unpopular with the people of Canada. There is no doubt whatever that it will make still harder the position of those who have had difficulties enough to face in the past. It will increase the revenues of the government at the expense to a great extent of the low paid and underpaid workers. Even those who are on relief who get their subsistence from the government itself, will have to hand back a certain amount of what is already far too inadequate. On the other hand we find that the taxes on great wealth have not been increased, and no steps have been taken to reduce the debt of the country by taking from the large accumulations of capital that are now available. For that reason, and before I proceed any further with my remarks, I wish to move an amendment to the motion made by the Minister of Finance on Friday. I move, seconded by Mr. Douglas:

That all the words after the word "that" be struck out and the following substituted therefor:—

"this house regrets that the proposals submitted by the Minister of Finance on May 1 are entirely inadequate to meet the serious and acute situation prevailing in Canada, and would appear to be based upon the assumption that poverty and debt are inevitable conditions within the country.

Whilst the reduction of the tariff on certain commodities is to be welcomed, this house deplores the increase in the sales tax, which falls so heavily on those least able to bear it, thus further reducing the already inadequate purchasing power of the masses.

This house also regrets that the government has taken no steps to lessen the inequalities of income by increased taxation on the larger incomes and by a levy on large accumulations of capital for the reduction of national debt."

The increase in the sales tax is not likely to lessen that unrest to which the present Prime Minister (Mr. Mackenzie King) referred in one of his radio talks prior to the election. I would like to read that reference, as reported in the Vancouver Province of August 1, 1935:

With the return of the Liberal administration to office and the adoption of Liberal policies carried out on broad and generous lines, and with more concern for human relations than for the methods of big business, of high finance and of high pressure salesmanship there is no reason why this period of depression should not be followed by a new era of prosperity, and why the unrest and discontent which have brought these third parties into being and to which they owe their existence should not also disappear.

Anyone who listened to the budget speech on Friday last would be hard put to it to find Liberal policies in it. It was the most conservative, or if I may use the term, the most "Tory" budget we have ever listened to. If these are the policies that are to be carried out on broad and generous lines, policies such as increasing the sales tax, which is bound to reduce and depress the living standards of the people, I am satisfied that they are not going to lessen that unrest, but on the contrary will greatly increase it.

There are at least three major problems—I have no doubt there are more—that confront this government and the people of Canada. There is first the problem of unemployment. Then we have the problem of debt and the problem of lack of markets in which to dispose of the great surplus production of this country. The minister pointed out that despite the increasing physical volume of production, unemployment has not decreased in the same proportion. I find in the April issue of the Labour Gazette that the index of employment on March 1, 1935, was 96·4 and on March 1

1936, it was 98·9, an increase of 2·5. When we come to the figures of the physical volume of production given by the Minister of Finance we find that in 1935 the index stood at 94·2 and on the same date in 1936 it was 103·3, an increase of 9·1. How long is it going to take employment to catch up with production at that rate? What is going to happen, and in the very near future—it is what always happens—is that we shall again have a glut of goods on the market, and again we shall find industries slowing down and the numbers of the unemployed increasing. Let us remember, when we are dealing with the history of capitalism, that it has always been a series of ups and downs, a time of acceleration of business followed by a period of depression. Analyzing those cycles we find that the periods of prosperity, if we wish to call them that, are continually getting shorter and shorter, and the periods of depression, or bad times, continually getting longer and longer. We are now in a period of depression that has lasted for the past six years, and there is no indication that we are anywhere near the end of it yet. So I think we are safe in assuming that, unless some miracle happens, conditions such as we have now will be the normal state of capitalism in the future, and I am apprehensive as to how long we shall be able to keep going without a definite collapse. That is the point I would impress upon the members of this house in dealing with the question of unemployment.

I think it was the hon. member for Lethbridge (Mr. Blackmore) who said yesterday that the thing to be done was to try to find out what is wrong, and we can find out what is wrong only by analyzing conditions, not only here, but elsewhere. The question of unemployment has been before this house in some form during most of the present session. The hon. member for The Battlefords (Mr. Needham) said, and I think he put it very well indeed, that the first result of the machine is unemployment. He was pointing out to the house that unemployment is caused by the use of labour saving machinery in industry. While what he said is to a large extent true—that is, it is true at the present time—the first result of the machine was not unemployment. The first result of the machine was employment and then still more employment. It is only lately, for reasons that are quite clear if we will only seek them, that the result of the machine has been unemployment. As I have said, the first result of the machine was to create employment. Let me follow that a little further.

[Mr. MacInnis.]

This system of society as we know it today, and as economists, I believe, deal with it, what we call the capitalist system, came into being around 1776, with the use of steam applied to industry in the British Isles. This was the beginning of what is termed the industrial revolution. When Great Britain began manufacturing with steam driven machinery one of her difficulties was to find enough labourers. There was no talk then of back to the land. As a matter of fact, history shows it was not a back to the land movement in those days, but, on the contrary, the people were driven off the land into the factories. Their houses, their homes, were burned over their heads, and they were driven into the shambles of industry. That continued for some considerable time, and we can understand the present situation only if we understand the developments that have taken place from then until now. It is only by understanding them that we shall be able to find a solution for the difficulties that confront us.

Let us remember that industry produces two kinds of goods. Industry produces, first of all, consumers' goods; that is, the goods we use in our everyday life, such as clothing, boots and shoes, and all that sort of thing, goods that we use up every day. But industry also produces another kind of goods, what we term producers' goods, or capital goods. We must remember that the greater proportion of production is in producers' goods. I was much surprised at seeing the figures given some little time ago in a book published in 1934, What Everybody Wants to Know About Money, by Mr. E. F. M. Durbin and Mr. Gaitskill. They stated that nine-tenths of all goods produced in the British Isles were producers' goods and that ten-elevenths of all goods produced in America were producers' goods. The proportion seems very large to me, but I believe this authority is quite reliable.

Now let us see what happened when Great Britain began, about 1776, producing with steam driven machinery. Take a typical industry, one that has been associated with Britain at least since the industrial revolution began, the textile industry. We find that with the use of power driven looms and spinning machinery Great Britain was producing large exportable quantities of textile or cotton goods, which she was marketing in all parts of the world. There was a market everywhere for British cotton, in the countries of Europe, in the orient and in America, because at that time Great Britain was the only country in the world pro-

ducing cotton with steam or motive driven machinery; and had that situation remained as it was Great Britain, I asume, would still have her markets. But conditions did not remain as they were, because industry, under capitalism, can never remain stable, and that is something I would like the members of this house to understand. Capitalism will never and can never remain stable. It has to expand or it dies.

The next thing that happened was that Great Britain began selling the machines, the engines, the looms and spinning machinery with which she was manufacturing cotton goods, to the very countries that were buying her cotton goods, with the result, of course, that these countries in turn began to manufacture their own cotton, and with the further result that they also began to have surplus goods and to ship them into the markets that were formerly supplied by Great Britain. But that was not the end of it. They also began to sell the machines that were used in the making of cotton manufacturing machinery. And so Great Britain first lost a large part of her cotton goods trade, and then began to lose the cotton machinery trade as well. A few years ago I placed some figures on Hansard, and as they are very illuminating I think it would be worth while again to place them before the house. In 1913 the total exports of British cotton goods amounted to 7,075 million yards. In 1929 the total exports amounted to only 3,765 million yards, a drop of 47 per cent in sixteen years. When I gave these figures to a friend of mine in Winnipeg some time ago, he told me that there had been a further decrease in 1933. In that year the total exports were below the three billion yard mark.

In 1913, of the total imports of cotton into China, Great Britain supplied 68 per cent, Japan 23 per cent and the United States and Russia, 9 per cent. In 1925, twelve years later, Great Britain supplied only 26 per cent while Japan supplied 74 per cent. During those years Japan had bought an enormous amount of cotton manufacturing machinery from Great Britain and Germany. These figures show that we are faced with a peculiar situation, one of the contradictions which appear in capitalism. Although capitalism requires foreign markets above everything else, it must destroy those markets if it is to keep going.

Coming down to the present day, I have here a news item which I clipped from the Manchester Guardian of March 18, 1936. This refers to the cotton trade, the heading being "Japan maintains cotton trade hold." The article reads:

> "Made in Japan" has become the big bogy of cotton spinners here as they survey possible world markets to absorb the increased output of their mills.
>
> Another large piece was cut from Britain's cloth export bolt last year when the Japanese maintained the dominant hold on the trade which has been theirs since 1933. Analyzing trade statistics by countries, the Lancashire spinners are alarmed most by the fact that the greatest shrinkage in their exports has been in British Empire countries, where Japan has made corresponding gains.

Then further on:

> A decrease of 23,000,000 square yards in British cotton goods exports to Australia in 1935 also is attributed to the inroads made by Japan.
>
> Japan's advantage in world markets, say Lancashire spinners, has been primarily due to a lower wage scale, although depreciation of the yen also has been a factor.

Further on is this very significant paragraph:

> Opinion in the industry is moving toward the view that Japanese competition should be met not so much by legislative experiments and foreign trade agreements as by increasing efficiency through technical advancements, in which Lancashire has excelled since the 18th century.

If in the end every country is to come to that position, where is the hope of decreasing unemployment and improving the standards of living of the masses? If the spinners and weavers of Lancashire are compelled still further to improve technical development in their plants in order to displace workers and produce cotton more cheaply than Japan, Japan will be compelled to produce cotton still more cheaply and Canada will have to do the same. It will come to the point where the workers in all countries will be forced to a lower standard of living in order to enable capitalism to sell in world markets instead of providing goods for the people in their own countries. That is the inevitable result of capitalism.

What is true of cotton is true of many other commodities that we use in our everyday life. Let us come nearer home. Canada is interested in the sale of agricultural products, such as the wheat grown in our prairie provinces, but Canada is also interested in the export sale of agricultural machinery. What do we find? We find that although we need the markets of Europe, we are ready to help these countries to supply their own agricultural needs by furnishing them with agricultural machinery. In the Trade of Canada for 1933 appear the exports of agricultural machinery from Canada in 1930. Under the item covering harvesters and binders, I find that we sold 2,535 machines to Germany; 2,045 to France; 396 to Great Britain, and 349 to Italy. These are the

countries in which we hoped to sell our surplus wheat. But that is not all. We also supplied our competitors in the sale of wheat with machinery. In that year we sold 2,838 machines to Russia; we sold 804 to Australia and 50 to the Argentine. Besides the machines referred to, we sold other agricultural machinery to the value of $5,000,000.

The system of production under which we live is not designed to produce the goods and services necessary to human welfare. It may do that, but its real purpose is to produce profits which may be reinvested as new capital in order to produce more profits which may be again reinvested. Unemployment has been caused largely by inability to reinvest these profits in new investments. Through the adoption by every country of inventions and scientific methods they are all able to produce what they need provided they can obtain the raw materials. Every country is now able to produce the same goods as other countries. If this government hopes to get out of the position in which it finds itself, if its only hope of helping the people of Canada is by extending foreign trade, the prospect for a solution of our problems is very remote indeed. It is nowhere in sight, because the day of the foreign market is gone.

I was going to show how Great Britain had supplied the countries of the world with capital goods. I overlooked it in the place where I intended to use it, but I think it is worth while to give it now. In 1850 Great Britain's total capital invested abroad amounted to £230,000,000; in 1876, twenty-six years later, it amounted to £1,200,000,000, a great deal of which was invested in the building of railways in the United States. By 1914 British investments abroad had increased to £4,000,000,000 or some $20,000,000,000. Before 1914 the United States had very little foreign investment but after that date and during the world war and immediately thereafter her foreign investments increased, so that by 1925 they equalled if they did not surpass those of Great Britain, amounting to something over $20,000,000,000. One of the conditions confronting the world to-day is that while the function of capitalism is to produce more capital, there is no place in which that capital can be profitably invested, and we have not yet learned to make it available to our people at home. The same is true of investment in Canada itself. In 1871 the total capital invested in manufacturing in Canada was only $78,000,000; by 1881 it had increased to $165,000,000, by 1891 to $353,000,000, and by 1929 it had increased to $5,093,000,000. In the same period, we find that wages and salaries increased from $40,000,000 to only $813,000,000.

[Mr. MacInnis.]

If the nations of the world could only find a place in which to reinvest new capital, the problem of unemployment would be solved for the time being and so would the problem of trade. For the trade of the countries of the world during the few years before the depression was to a large extent made up of the sale of producers' goods from one country to another. We can see I believe that the question of unemployment and the question of trade are one.

Now we come to the question of national debt, which has increased so enormously during the last few years. To me the increase in the national debt and in all kinds of debt is not hard to understand, because the capitalist system itself is debt. Every investment is debt, and national debts increase the faster when we cannot find a profitable investment in private industry. When we cannot increase private debt then government debt must increase. So under the present system there is no possible hope of ever paying our debts, because in the last analysis the debt can be paid only in terms of goods and services, and those who own the debt, our creditors, cannot possibly accept the goods and services that would be necessary to pay it off, any more than the United States could accept goods and services from the allied countries to pay off the war debt. Indeed, they found it cheaper in the end to cancel the debts altogether than to accept payment in goods.

When the Minister of Finance was speaking about the national debt the other day and of the great problem which it presented to the government and to the people of the country, I was wondering whether he had heard about the scientific expansion of currency; and if he had not heard of it I do not see any reason in the world why he should not learn something about it. All he has to do is to turn round in his seat and face the hon. member for Vancouver Centre (Mr. Mackenzie), the present Minister of National Defence, who had quite a scientific scheme for the reduction of debt in the election campaign last year. In fact, I believe he mentioned it in the house during the session of 1935. I have here the Vancouver Province of August 1, 1935. I am sure the hon. gentleman will remember that day because there was a great gathering in Vancouver. In regard to the national debt he had this to say:

> Referring to Canada's national debt, the speaker was of the opinion it could be greatly reduced by the introduction of scientific expansion of currency. At present Canada owns $180,000,000 worth of gold. According to investigations of the world economic conference of 1933 a country may issue currency to four times the value of gold held without

endangering its credit, giving Canada the right to issue an additional $460,000,000 in currency.

This I assume was going to be used to reduce the national debt. He had another solution. I did not observe that it had made any impression upon the Minister of Finance for I have not seen any mention of it in the budget speech. He spoke of:

—a national conversion or refunding scheme on a voluntary basis but with compulsory features should the voluntary appeal be unsuccessful.

And then of course followed the establishment of a publicly owned and controlled bank entirely responsible to the government, and scientific expansion of currency. I would suggest that the hon. member, possibly with the valued assistance of the hon member for Vancouver-Burrard (Mr. McGeer), although their currency and finance schemes may not quite fit in together, might try to impress upon the Minister of Finance the value of these schemes in reducing Canada's national debt.

In bringing these matters to the attention of the house, and making our criticisms and suggestions, may I point out the essentials in which the small group in this row of seats —I do not think we can call it a "corner" any more, because others occupy it besides ourselves—differ from the other political subdivisions which are represented here? We differ from them, not because we are more high-minded, or have any better intentions than other members, for I assume that all of us want to help the country out of its difficulties, because all of us feel daily the stress of those difficulties. But all the other political parties are trying to solve those problems within the ambit of the capitalist system.

Mr. SPEAKER: I am sorry to have to inform the hon. member that his time has expired.

Mr. MacINNIS: Mr. Speaker, while the Deputy Speaker occupied the chair I moved an amendment, and having moved an amendment, I am entitled, I think, to continue speaking.

Mr. SPEAKER: I think the hon. member is right.

Mr. MacINNIS: I thank you. I was pointing out in what way those of us in this section of the chamber differ from the other political parties in this house. All of us are anxious, I take it, to solve the great social and economic problems confronting our people, but all the other political parties are trying to solve these matters within the limits of the capitalist system, that is, without interfering with the property relationships which exist within the present capitalist structure of society. We take the position that the difficulties and trials we are meeting to-day are due to the workings of that system and not to maladministration by government, to bad business, or to lack of business ability on the part of individuals, and we hold that those troubles cannot possibly be solved under the present system. Therein lies the essential difference between other parties and ourselves, and I think modern history is with us, because it goes to show that those governments which have made any progress towards solving their social and economic problems in the past few years are those which have taken steps to control the economic life of their respective nations. So then, we say, the only solution for the world to-day, the only way to end unemployment, to get rid of our debt, to bring prosperity and to establish peace is for the countries of the world to adopt socialism as their economic system. I am quite sure that this does not seem so fantastic to-day as it did a few years ago. As I go round, talking with people in all walks of life, I find that, whatever they may say in public, they have no hope that they are going to solve their problems under the present capitalist system. They will say that socialism is bound to come but it will not be just yet. I am reminded of a statement supposed to have been made by Herbert Hoover, ex-President of the United States. He is reported as having said:

When I contemplate capitalism I see a precipice leading either to communism or fascism.

He sees a precipice where the drop will be either to communism or to fascism. It is not necessary to fall into either of these states, providing we do the right thing in time, but if we allow the conditions that exist to-day to get worse, something will happen and we may not be able to control the situation. What may develop then no one can say. But in all countries where democracies exist it is within the power of the people to go easily and surely into a new social order where production will be carried on to supply human needs and not for the making of profits. Under our present system the attempt to find markets in which to dispose of surplus goods, leads inevitably to war.

I have taken three different countries which have made some progress in dealing with their social economy during the depression years. The first one, Great Britain, was mentioned the other day by the Minister of Finance (Mr. Dunning), who remarked, I think, that Canada had followed Great Britain in almost

all things with the exception of balancing our budget. Canada has not followed Great Britain at all. There were certainly some lame and hesitating attempts made to follow Great Britain during the last parliament. I am not suggesting for one moment that Great Britain has accepted socialism, but she is providing a certain amount of social control over the economic life of the country. I have taken excerpts from an article which appeared in Current History of November, 1935, and I would like to read some of them:

To the older generation, familiar with the British slogan of "No food taxes" and the doctrine that only through cheap food for the working man could there be low wages, low costs and a competitive advantage in world markets for British manufacturers, it is almost incredible that to-day about one-third of British agricultural produce is under price-raising marketing schemes, implemented in nearly every case by highly effective protection against foreign trade. The first to be thus dealt with was wheat—it is strange to remember that it was for free wheat that the battle of the corn laws was fought and won in the hungry forties. Instead of a marketing scheme, wheat was given a subsidy or "quota" in 1932. A levy was imposed on every sack of flour imported into Great Britain or milled within the country. The proceeds went to the British wheat grower to make up the difference between the price he actually received and the standard price of about $1.40 a bushel.

And yet we wonder why British imports of wheat from Canada are not so great as they were some years ago. Then the next paragraph:

The acquiescence of the greater part of the people in a program that involves taxation and increased costs of living for 93 per cent of the population in behalf of the 7 per cent who derive their income from agriculture indicates that rugged individualism as an ideal is fast vanishing from the British mind.

There is very much more of this that is worth reading, but I shall content myself with one more excerpt from the article, and I should like to draw the attention of the government to the necessity of doing something along these lines in the Dominion of Canada, because after it is done we shall have an asset to show, and it will bring comfort to many of our people. I quote again:

The most effective subsidy and possibly the greatest influence in the government's whole recovery program, is the aid that has made possible the immense housing program now being carried out in Great Britain. Since the armistice there have been built in Great Britain about 2,700,000 houses, almost one-half of which have been subsidized by the government or by the localities. Under the present government, the program has been speeded up. During the four years ended on March 31, 1935, about one million houses were built in England and Wales. In its last session parliament passed a housing bill under which within five years all officially condemned slums will be demolished and sufficient houses provided to do away with overcrowding. At the most this program is expected to cost the public treasuries only $50,000,000 a year—not a staggering sum, the proponents of house construction as a recovery measure like to point out, in comparison with the money spent upon battleships, heavy guns and bombing planes.

Then it goes on:

The worst criticism is that it cannot last forever, and the slump may be bad. To this the government replies that it can see good results for at least five years ahead, after which, come what may, the British masses will be decently housed.

So, if the slump comes after the government have taken the first step in the organization and control of the economic and social life of the people, they will be better prepared to take the next step, if that slump should come before they have embarked upon a fully socialist program in that country.

During the last year we have heard a great deal about Sweden. So much that to-day Sweden has become a competitor with Russia for the tourist traffic, for the people who are anxious to see what has been accomplished in the last few years. I have under my hand an article which appeared in the La Fleche Press of February 20, 1936, and reprinted in the Saskatchewan Liberal of February 27, 1936, so I suppose there will be no objection if I read it in this house. The article states:

The cooperative societies of Sweden own and operate ten per cent of all industry and handle some 50 per cent of all retail trade in such essentials as food, clothing and shoes, says Stuart Chase in Government in Business, and continues as follows:

"They broke one private monopoly after another by threatening to organize their own supply. This has proved far more effective than anti-trust laws. The price of lamps was driven down from thirty-seven cents to twenty.

"Sweden has obviously mastered the yardstick technique with which Mr. Roosevelt is now struggling. She has the highest standard of living in Europe, higher even than for the mass of Americans. She is now about fifty per cent collectivized—including the cooperatives as public business. Private business has resigned itself to the inevitable, and from time to time actively cooperates in some aspect of state enterprise."

In addition Sweden has maintained the democratic principle in government and in industry, so that if we do not wish to follow other more drastic examples certainly we should not be afraid to follow the example which has been set by Sweden.

Now I wish to mention another country, which during the last sixteen or seventeen years has received a great deal of attention, some favourable and some not quite so favourable. It has this outstanding distinction,

however, that it is, I think, the only country in the world which has made continuous economic and social progress through all these years of depression. I refer now to the soviet union, and I am going to quote an authority to whom I do not think the house will object. The individual who wrote the article is, I believe, above reproach, and I think the periodical in which the article appeared will be quite acceptable to hon. members. The article is by Sir Frederick Banting, K.B.E., and it appeared in Canadian Business, the official organ of the Canadian Chamber of Commerce, of February, 1936. May I say, for the benefit of those who do not know—though I do not suppose any hon. member needs to be told—that Sir Frederick Banting is one of the discoverers of insulin and is in receipt of an honorarium, I think it is called, from this government amounting to some $7,500 yearly for his services to the people of Canada and of the world. My hon. friend from Davenport (Mr. MacNicol) says that Sir Frederick Banting receives something from the Ontario government as well. He writes:

> The greatest experiment that the world has ever known, has just been carried out within the Soviet Union ...

Note this:

> In the successful carrying out of this experiment, science was a major factor. Science and the fruit of science had been almost denied these people from the beginning of their history, until 1917. The Bolsheviks suffered privation, fought and if necessary died for those far-sighted leaders who promised the people education and science.

Then he goes on:

> In order to understand the situation in the Soviet Union to-day it is necessary to realize that before the revolution only about ten people out of every one hundred could read and write.... The vast majority of the people were backward, down-trodden peasants who lived on farms or in small villages. Of the 170,000 doctors (at the rate of one doctor per one thousand population)—

That is the number they should have had.

> —there were but 19,000 and these were, for the most part, located in the cities of the west and in the army and navy.... During the past ten years progress has been stupendous.

Then he goes on to indicate the progress that has been made in education, medical science, scientific research, production, and so on. I shall content myself with reading the last paragraph in the article:

> All of these huge enterprises—

Referring to the industrial life of the country:

> —require men of executive capacity, intelligence, foresight and judgment. These qualities are to be found in the men who rise to office within the Soviet Union. The life and activities of their great commercial and industrial men do not greatly differ from the life and activities of industrial men in our country—nor does the financial man, banker and organizer of industry, differ so much from those that perform this service in other countries. There are privileges and luxuries that our financial leaders buy. In the Soviet Union these privileges and luxuries are given to him by the people. They honour service. Honour, appreciation and trust of comrades spur and inspire men to plan and work for the common good of all.

We are told in this country that unless there is the incentive of profit people will not do anything. Could anything be more false? We are told that in Russia people in every walk of life are continuously working for the common good without any thought of profit or private gain. But all the industries of Canada have the profit incentive. Here the means of production are used by their owners not to provide goods and services for the needs of the people but as a means of levying tribute on the people. Dr. Banting goes on to say:

> There is no unemployment in the Soviet Union. Conditions are improving very rapidly. Everyone is tremendously enthusiastic. The health of all is cared for by the state. All people have the opportunity to rise as high as their talents and industry will permit in whatever field of endeavour they may select. Every person's future is invested in the state. The state in turn provides for the education of children and an old age pension. This sense of security brings happiness and peace of mind and permits true culture.

Can we say that in this country? Is there a sense of security here, even among those who are in employment, even among those who are in business, even among those who are fairly well off? No; there is no sense of security to-day for anybody. He continues:

> The soviet government is building a gigantic structure on the solid rock of science and research. For this reason there now remains not a vestige of doubt as to the future success of the Soviet Union. Her future is doubly secure because no people in the world so fully realize that the science of to-day is the research of yesterday, and the research of to-day is the science of to-morrow.

When you compare that with what we have been attempting to do in this house during the last three months—unplanned activity when there was any activity at all; a dribble here, a dribble there; no coordination and no connection—it is no wonder that people are almost in despair.

I have another item here from Doctor Banting. Speaking in Hamilton, Ontario, on November 27, 1935, he said:

> You rarely see a case of tuberculosis that requires bed treatment in Russia. Trade union

doctors examine the workers before they enter factories and they are placed under care immediately if any signs of disease are detected.

But in this great rich country whenever anything of the kind is mentioned we are always met with the question: Where can we find the money?

There came into my hands to-day a copy of the Monthly Review of Lloyd's Bank Limited for April, 1936, a rather conservative publication, I assume. In it I find a leading article by R. J. Truptil entitled The Economic Evolution of Soviet Russia, 1917-1936. It says:

It must be remembered that although the peace of Brest-Litovsk was signed in 1918, the Bolsheviks had to fight for several years, until 1921, against insurrections and interventions on many fronts.

And we helped in the fight against them. Even now we have not the trade relations with Soviet Russia that most other nations of the world have. After giving a very complete summary of the situation and the increase in production, he ends the article with this statement:

The economic revolution achieved in the Soviet Union is without parallel. In fifteen years—for it is fair to reckon only from the end of the civil war—one of the poorest and most backward nations has achieved simultaneously an industrial equipment and a complete transformation of its agricultural methods. Through many changes of policy, the Bolsheviks have gradually extended social ownership to all the means of production, transport and trade.

Yet they are keeping up their enthusiasm. They are working, they do not expect the state to keep them; they are themselves the state.

Their system is socialist. Although individual property can be acquired in the form of savings, state bonds, a house, a car, or a few animals, and although such property can even be inherited up to an amount of 50,000 roubles, there can be no individual ownership of the means of production.

That is, they are not allowing anyone to exploit the people for private gain.

As the system develops we may see issues of industrial debentures, but it seems reasonably certain that shares will not reappear.
Furthermore, it is not possible in the U.S.S.R. to live on unearned income....

Evidently they are finding no difficulty with the A plus B theorem either. They are finding it quite easy to increase the welfare of their people as production increase, and they are not issuing social dividends or social credit. All the production of the country belongs to the people, and until the production of this country belongs to the people I do not care how much the money system is manipulated, you are not going to get anywhere. Then the article concludes:

As it is, the system works,—

That is the final proof of any system.

—and this in a country of 170 million inhabitants, which for size, diversity and natural wealth can be compared only with the United States. The Soviet Union is thus becoming a leading factor in the world and it would be a profound mistake to ignore it.

In that connection let me say that to-day, because of the national control of its working class, Russia is the greatest factor for peace in the world. In fact so far as there is any guarantee of peace it comes from Russia and from the working class in the other countries where they have any voice at all in the government of the country.

I will conclude, Mr. Speaker. I had no intention of speaking so long. But I hope the house will realize that we cannot go backward, much as in my opinion the finance minister would want us to do. We are out of that stage just as surely as the chick that has left its shell, and we can never return to it, any more than the chick to the shell. So let us look to the golden age of the future, not to the golden age of the past—because there never was a golden age of the past.

On motion of Mr. Blais the debate was adjourned.

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

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## Thursday, May 7, 1936

The house met at three o'clock.

### ROYAL ASSENT

Mr. SPEAKER: I have the honour to inform the house that I have received the following message:

Ottawa, 7th May, 1936.

Sir,—I have the honour to inform you that the Right Honourable Sir Lyman P. Duff, Chief Justice of Canada, acting as deputy of His Excellency the Governor General, will proceed to the Senate chamber to-day, 7th May, at 5.45 p.m. for the purpose of giving the royal assent to certain bills.

F. L. C. Pereira,
Assistant Secretary to the
Governor General.

### PRIVILEGE—MR. McPHEE

On the order for motions:

Mr. G. W. McPHEE (Yorkton): Mr. Speaker, I rise to a question of privilege in connection with a matter that concerns the dignity of the members of the House of Commons and

contravenes the House of Commons Act, being chapter 145 of the revised statutes of Canada. I refer to an article which appears in this morning's Citizen, written by Miss McGee of the Canadian Press. This is headed "Women M.P.'s Give Verdict on Best Looking Men in House." Perhaps I should read just a few short paragraphs of this article in order to lay a foundation for what I am about to say. The article reads:

While the members of the House of Commons have been debating legislation in long hours of argument, the two women members have had ample opportunity to consider their masculine confrères from the standpoint of pulchritude. Yesterday they disclosed their preferences.

They then give their reasons.

Mr. SPEAKER: May I ask the hon. member kindly to state his question of privilege?

Mr. McPHEE: That will be seen from the next paragraph of the article which reads:

The reasons she gave for not listing any members as "handsome" are that "too many have eyes too close together, ears that stick out, crooked noses, weak chins, avoirdupois and bad carriage."

Right Hon. W. L. MACKENZIE KING (Prime Minister): I do not like to interrupt my hon. friend, and I hope he will not think I do so because I have not been mentioned in the list to which he is referring, but I do submit that this is hardly a question of privilege and he should not continue.

Mr. McPHEE: It affects the dignity of the house.

Mr. SPEAKER: This is not a question of privilege. The hon. member is out of order.

## QUESTIONS

(Questions answered orally are indicated by an asterisk.)

### OLYMPIC GAMES

Mr. CHURCH:

1. On what date was the grant to the 1936 olympic games paid, to whom and on what terms?

| Date incurred | Amount |
|---|---|
| April, 1936 | 69 |
| March, 1936 | 147 52 |
| March, 1936 | 1 53 |
| April, 1936 | 20 67 |
| April, 1936 | 131 02 |
| Total | $301 43 |

2. Will the government lay on the table all correspondence as to the 1936 olympic games?

3. Will further consideration be given to cancel further participation by Canada for 1936 at these games owing to European conditions?

Mr. MACKENZIE KING:

1. Cheque for $5,000, being one-half of amount voted in supplementary estimates (item No. 386) in favour of the Canadian olympic committee, for their use in connection with the winter games, was handed to Mr. P. J. Mulqueen, chairman of the committee, on October 31, 1935. There was no stipulation as to the use to be made of this money. Balance of $5,000 not yet paid.

2. Yes.

3. Should such consideration be deemed necessary, it will be given.

### CANADA AND GULF TERMINAL RAILWAY COMPANY

Mr. LAPOINTE (Matapedia):

1. Does the Canada and Gulf Terminal Railway Company, which operates the railway between Mont Joli and Matane, province of Quebec, owe any moneys to the government of Canada, or to the Canadian National Railways; if so (a) what are the dates upon which these debts respectively were incurred; (b) what are the amounts; (c) what rate of interest is charged; (d) when do these debts mature, and what are the conditions of payment?

2. Are there arrears of both capital and interest with reference to these debts, and what are the amounts respectively?

3. Has the government of Canada or the Canadian National Railways provided for these deficits of the Canada and Gulf Terminal Railway; if so (a) on what dates; (b) for what amounts; (c) upon what conditions; (d) at what rate of interest?

4. What is the total amount actually owing on capital and interest by this company to the government or to the Canadian National Railways?

Mr. HOWE:

1. Due to government—Nil.
Due to Canadian National Railways:

| Interest rate | Particulars |
|---|---|
| Nil | Telegraph tolls |
| Nil | Joint facility rent |
| Nil | Overcharge claim |
| Nil | Overcharge claim |
| Nil | Express interchange |

All due for current settlement

2. No arrears due to Canadian National Railways.

3. No deficits of the Canada and Gulf Terminal Railway have been provided for by the Canadian National Railways, or the government.

4. $301.43 due to the Canadian National Railways.

ROSAIRE BLOUIN AND GEORGES PREMONT

Mr. WERMENLINGER:

1. Were Rosaire Blouin and Georges Premont, of St. Jean, Ile d'Orleans, Montmorency county, named or appointed to their positions by the civil service commission after passing the examinations of said commission?
2. If so, were their successors appointed in like manner?
3. If not, why?
4. If they were appointed by the civil service commission, could they be dismissed without intervention of the said commission?

Mr. HOWE:

1. Yes, but temporary certificates only were issued by the civil service commission, each season.

2 and 3. Two employees have been taken on in a temporary capacity pending examination and appointment by the civil service commission.

4. Yes. They were not dismissed however. The temporary certificates issued by the civil service commission expired on the 15th December, 1935.

## LEAGUE OF NATIONS

On the orders of the day:

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, in view of the debate that took place yesterday in the British House of Commons and the intimation given that this government was to be consulted with regard to its attitude toward the League of Nations, may I ask the Prime Minister (Mr. Mackenzie King) whether the government will set a day in the not distant future when this matter can be discussed in the house?

Right Hon. W. L. MACKENZIE KING (Prime Minister): The government naturally will seek to meet the wishes of the house. There have been reasons why we have thought it inadvisable just at this moment to bring on a debate on the European situation. We shall wish to consider carefully all matters that should be considered in that connection. There is however no desire to delay discussion if hon. members deem it advisable to have league matters debated at an early date.

[Mr. Howe.]

## LOSSES IN OATS

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): I wish to direct one or two questions to the Minister of Trade and Commerce (Mr. Euler). Has the minister seen the article appearing in the Leader Post, Regina, May 4, headed:

Who pays $200,000 losses in oats deal? Ottawa inclined to deny all responsibility.

If the minister has seen this article would he care to make a statement to the house with respect to it? This article states that the Saskatchewan government is preparing a case to be presented at Ottawa. Has the minister received this report? If so, would he care to make a statement?

Hon. W. D. EULER (Minister of Trade and Commerce): My hon. friend did not convey to me any notice of his intention to ask the question. I may say to him and to the house that this is the first intimation I have had of the matter; I had not seen the article. However, I shall be glad to make inquiries and give a reply later.

## PRIVILEGE—MR. BENNETT

On the orders of the day:

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I think it desirable that I should bring to the attention of the house, purely as a matter of privilege, not so much of my own as of the house, that there has been an apparent misunderstanding of the use of words in connection with the Canadian National annual report. I was very careful the other day when I read from page 18, and the figures I gave were those of "system net loss." The Minister of Finance realized of course that that was entirely different from the cash deficit, and I answered, yes. But apparently in the press the use of the words "net loss," as occurring in the profit and loss statement, has been attributed to me as the use of the word "deficit," which was not so and could not be so, because it is taken for granted that anyone with an elementary knowledge of bookkeeping realizes that cash deficit and net loss in profit and loss account are not necessarily the same thing. I desire to make this correction lest there be misunderstanding, and I do so not only in the interests of the house but in the interests of the railway itself. It is important that the distinction between net loss and cash deficit should always be kept in mind.

## WHEAT POOL

EQUALIZATION OF 1930 PAYMENTS ON WHEAT

On the orders of the day:

Mr. J. G. ROSS (Moose Jaw): I wish to ask a question of the Minister of Trade and Commerce (Mr. Euler). From information I have received from the west I understand that certain people are receiving some of the payments that were to be made to farmers in connection with the 1930 wheat pool equalization payments. I want to know whether these payments were made direct to the farmer, using only Canadian Cooperative Wheat Producers Limited for the equalization in the distribution of these funds, and also whether Canadian Cooperative Wheat Producers Limited had any right whatever to deduct from these funds fees for the United Farmers of Canada, Saskatchewan section, or fees for the publication in western Canada of a paper called The Western Producer.

Hon. W. D. EULER (Minister of Trade and Commerce): Just a moment ago my hon. friend mentioned the matter of which he speaks. I have had no opportunity to make inquiries; I had not complete information on the point. I would suggest that he place his questions on the order paper and they will receive attention.

## THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Wednesday, May 6, consideration of the motion of Hon. Charles A. Dunning (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the proposed amendment thereto of Mr. MacInnis.

Mr. FRANK BLAIS (Chapleau) (Translation): Mr. Speaker, I should like first to congratulate the hon. Minister of Finance (Mr. Dunning) on the splendid budget which he presented to the house on May 1. With the exception of a few discordant views—always emanating from the same quarters—this budget has been highly welcomed throughout the country, and I feel certain that the resolutions which will be approved shortly will contribute to the improvement of our economic solution.

Bill No. 19, introduced in the house by the hon. Minister of Labour (Mr. Rogers) and passed on April 22 last, is an Act to relieve unemployment, promote agricultural settlement, and assist in the conservation and development of our natural and other resources. The section of the country which I represent is so closely interested in these important problems that I would be remiss to my duty were I not to indicate here the means whereby this country could benefit from the development of the various natural resources to be found in Abitibi.

I approve this government's policy of undertaking and getting undertaken public works that do not involve too heavy an expenditure for the state, in order to provide work for our people and thus do away, as much as possible, with direct relief, while improving the financial situation of the country. Many unemployed desire work that will permit them to live decently and provide for the future, thus setting a good example to the growing generation, instead of continuing to receive the dole which has developed into national exploitation, as may be readily seen in a number of localities.

I have pleasure, sir, in pointing out a few of the national resources of the Abitibi district, the development of which, I am sure, would alleviate unemployment, which threatens our country with disaster. In the vast territory comprised in the Abitibi district numerous gold mines are being worked and many others will be developed in the near future. Besides the mining industry, agriculture offers great possibilities, as well as the lumber industry, which enjoys an excellent local market for its products. There are splendid water powers which, when developed, will supply electric energy for which there will also be a ready market as this form of energy will soon become indispensable.

I shall speak first of the gold mines of my Northern Quebec constituency. Ten years ago they were absolutely unknown. Noranda Mines Limited, scarcely ten years in operation, already have an annual output of over $14,000,000, give employment to more than 2,000 men and provide a livelihood to a population of 16,000. In the same locality, a number of similar industries will soon be in operation, doubling the town's population, increasing the number of men at work and relieving unemployment.

To the northeast, in the same mining area, nine other gold producing mines have started operations in the course of the last six years. They are: Beatty Gold Mines Ltd., O'Brien Gold Mines, Ltd., Canadian Malartic Gold Mines Ltd., Siscoe Gold Mines Ltd., Shawkey Gold Mining Ltd., Sullivan Gold Mines Ltd., Greene Stabell Gold Mines Ltd., Lamaque Gold Mines Ltd., and Perron Gold Mines Ltd. All these enterprises are very promising; although only at their first stage of development, they may be expected in the near

future, to double, even quadruple their output. At the present time, these mines employ more than 5,000 men, and have become the mainstay of the farming population of this section and provide an additional market for the products of the lumber industry, the yearly output of sawmills being over 35,000,000 feet of lumber, used in the mines and for building purposes in villages and towns. These industries provide part of the livelihood of a population of 40,000.

I do not think that I am too optimistic or far from the truth when I state that by the end of 1936, at least three other gold mines in that section of the country, will get on a production basis, and gradually increase their output as the years go by, thereby increasing the number of workers and reducing unemployment.

The mining bureau at Amos, which is a branch office of the Quebec Department of Mines, gave me, on the 1st of February last, the following data. There are at present twenty-five mining undertakings showing satisfactory progress to date and likely to produce gold in the near future, that is, as soon as good roads for the transportation of their machinery and other material can be built in the district. I shall refer in a moment to the question of good roads, as they constitute, to my mind, the principal means of obtaining satisfactory results.

Furthermore, 125 claim holders employ at present more than 500 men, and their outlook seems most encouraging. As a sequel to these operations we may expect many industries to be established.

The section of Abitibi comprised in Quebec covers an area of 10,000 square miles. Its natural resources are beyond estimation. This region comprises 3,500,000 acres of good farming land on which 35,000 families could be settled. May I add that this district holds a splendid future for the farming class, since, at present, we must import nine-tenths of the farm products required by the mining population. Three carloads of provisions are shipped weekly to Amos alone, yet it would be possible to raise these in our district if agriculture were given more encouragement.

The most practical way to carry out a program of development would be, first, to build a good road from Amos to the district of Chibougamau, then to extend it as far as James Bay with crossroads as the development of the country required. Many of the mining properties at Chibougamau are in the hands of reliable capitalists who have long been asking for a suitable highway for the transportation of the material and machinery required to erect plants.



The distance between Amos and Chibougameau is about 154 miles, and many promising mineral prospects are to be found along this projected road which would be a factor in developing this large territory for colonization and farming. It would also be necessary to build 15 miles of road from the Sigma Gold mines to Ovicourt so as to facilitate the transportation of machinery to a number of mining properties the outlook of which, to date, is among the promising of the north country. The carrying out of this project this spring, would employ thousands of workers, to the great benefit of the unemployed, while developing our natural resources. I note, sir, that from 1930 to 1936, $189,000,000 have been distributed in direct relief, running the country into debt to that extent, while giving no value in return. I believe that if, in the last five years, the government had expended part of that amount in the district I represent, for the development of its natural resources, we would have to-day a smaller debt and fewer unemployed.

Although I am now engaged in farming I have for a long time been interested quite extensively in business, and I am familiar with the conditions existing in the Abitibi district. I have been living there for the last twenty-three years and have closely followed its development, being in contact with every mining company and the business men of a number of localities. I have come to the conclusion that the most effective way of developing our natural resources would be to build good roads. I am aware that the construction of roads is a provincial responsibility; however in a special case such as this one, I think the dominion government should take charge, as the matter has become a national one.

May I refer to the Trans-Canada highway which has now almost reached the Quebec boundary; it should be continued to Amos and Senneterre, from which points, two roads, now under construction, lead to Mont-Laurier, Maniwaki, Montreal and Ottawa. I know that my good friend, the hon. member for Cochrane (Mr. Bradette), is also eager to see this road, which would be of very great service, continued into the Abitibi district.

Before resuming my seat, may I quote a statement made by the hon. Minister of Mines (Mr. Crerar) on February 14 last, at the banquet of the Mining Institute held at the Windsor hotel, in Montreal. In the next fifteen years, he stated, the future of our country will be found in the development of our mining industry, which is highly prosperous and most profitable, not only for those directly

interested in it, but for the whole country. The hon. minister quoted data found in a publication of the Department of Mines, dated February 14, 1936, and which show that this industry can compare favourably with any other Canadian industry. He added that the small mining district of Cobalt, Sudbury, Porcupine and Kirkland Lake had produced various minerals to an amount exceeding $1,500,000,000. What can we not expect then from our immense district which enjoys the bright prospects I have just shown? The hon. Minister of Mines also referred to the mines of Northern Quebec which, though only at their initial stage of development are on a production basis: Noranda, for example, with an annual output of $14,000,000; Siscoe, which, since its inception has produced approximately $9,000,000; one might also mention the Beatty Gold mines, the O'Brien, Malartic, Lamaque, Sullivan, Green Stabell mines, all gold-producing properties still in their primary stage and which will become important mines at an early date.

I wish to congratulate the hon. Minister of Finance for having exempted from the income tax imposed on companies all metalliferous mines becoming producers before 1940. These exemptions will cover the first three years of production. This is a strong encouragement to financiers interested in the development of these natural resources.

I cordially invite all the members of this house, but especially the hon. ministers to pay us a visit, in order to see for themselves the great prospects existing in our district.

What I have suggested is quite feasable and we should immediately set to work in our country's interest so as to provide employment for a large number of people and thus conform to the Divine command: Thou shalt earn thy bread by toiling and not by exploiting the toiler. I have set forth a few suggestions in good faith, in the interest of this country, trusting that they may be seriously considered by the house and even put into practice.

Mr. J. R. MacNICOL (Davenport): While it is my intention to criticize, I hope in a constructive manner, some of the points advanced by the Minister of Finance (Mr. Dunning) in his speech, I want to compliment him upon the arresting tabulation of facts which he presented in relation to the economic situation of this country as he sees it, and I also want to compliment him upon the evident sincerity of his remarks as well as the non-partisan way in which they were delivered.

I propose to confine most of my observations to the speech made by the Minister of Finance. If I have any time left I shall refer for a moment or two to the speech made yesterday afternoon by the hon. member for Vancouver East (Mr. MacInnis).

At page 2362 of Hansard the Minister of Finance referred to the increase in the physical volume of business in this country, and he very clearly pointed out that from a low point of 67 in 1933 there had been a gradual increase in business to 79·7 in 1934, 94·2 in 1935, 102·4 in 1935-36, and the present economic index, he stated, is at 103·3. Then he added this significant sentence:

> The increases are impressive, particularly when one recalls that this index measures the physical volume of output in nearly all our leading industries as well as freight traffic on our railways, building activity and domestic trade.

That was a generous statement for the Minister of Finance to make, and in my humble opinion it was a remarkable tribute to the business ability and foresight of the former prime minister and his government. A little further on the minister referred to manufacturing, and particularly to the iron and steel industry, with which I was long associated, and he used these words:

> In the latter half of 1935, this industry showed striking advances, steel output increasing 23 per cent and pig iron 48 per cent over 1934—

Here again was a tribute to what was done by the previous government in connection with the production of steel in this country. When the late government came into power I believe Canada protected steel plates up to 40 inches in width, but not over that. The late government, rising to the occasion, increased the width to 66 inches, and the steel makers themselves went one step further and rolled steel up to 78 inches in width and an inch and more in thickness. During the last three or four years steel plate production in this country over 40 inches in width, and largely over 66 inches, has been what has kept the steel makers in the city of Hamilton busier than they have been for many years in the wider sizes. So I hope that when the revision of the British trade treaties, to which the minister referred, comes up later, he will jealously guard the interests of the steel makers of this country and not lower their protection, under any consideration, below what it is now. On the contrary, if possible I hope he will protect plates up to a width of 78 inches, which they are now rolling. In my humble opinion the late government deserves unstinted praise for what it did in connection with steel, and the minister was generous in refering to this subject.

Further down the page the minister used these significant words in connection with construction:

The construction industry, while still operating on abnormally low levels, enjoyed substantial percentage gains in 1935 over 1934, and the present outlook for building appears to be the best in several years.

I want to pause for a moment or two in connection with construction, for I believe this provides a splendid opportunity for the government now in power to provide thousands of men with work. The minister is correct when he says construction is increasing; for last year the returns from fifty-eight cities of Canada showed construction in this country at the level of $48,000,000 as compared with $27,000,000 in 1934. All constructive work, such as roads, bridges and so on, rose to the total of $160,000,000 in 1935. That is why I said at the outset that the minister was generous in his statements, which were non-partisan. In tabulating our economic gains he has paid a well deserved tribute to the former prime minister and his government, and the result of the policies of the late government in their endeavour to advance prosperity all along the line in this country.

Some days ago I read an article dealing with construction in England, which sets out the remarkable progress that has been made in that country, which is one of the reasons why to-day England is leading the nations of the world in providing employment. When the armistice was signed there were eight million homes in England. As a result of their construction policy in England to-day there are 10,804,888 homes. This has given employment not only to a great number of artisans but also to a large number of factory workers in connection with the necessary material that enters into construction. In addition large orders have been placed in Canada for British Columbia, maritime, Ontario and Quebec lumber. It has been said in the house many times since the beginning of the session that this country should get on with construction. I have endorsed that statement before; I am going to endorse it again. Many of our towns and cities have slums, and if it is at all possible those slums should be removed and adequate homes provided instead. Just how the minister is going to get the money I do not know, but during the last four or five years the federal government has put up $400,000,000 for relief and has voted many millions for the rehabilitation of the western provinces. And rightly so; I am one of those who will support anything reasonable that will make conditions better in the west. I believe the minister can find the money in some way.

The late government was one of the first advocates, I believe, of lowering the gold content of our dollar to 25 cents. I know that up at Milton, Ontario, there is a very able man, Mr. Peter Robertson, to whom the late Mr. George Nicholson, who formerly sat for the constituency represented by the last speaker (Mr. Blais), referred in a very excellent speech in this house a few years ago. Mr. Robertson has some excellent ideas on gold. He wrote a book on the subject which was translated into several languages at his own expense. This book was sent all over the world and had a good deal to do with the lowering of the gold coverage behind our dollar.

There may be some other way of getting money with which to proceed with construction, but it should be found in some way because in Canada we have 240,000 men who in normal times are employed in the construction industry, but thousands of whom are now unemployed. Taking as a basis the figures as to the amount of labour given per thousand dollars of expenditure in connection with the government building now under construction in Winnipeg, which will cost a million dollars or more, it would take something over $200,000,000 to put at work again the 240,000 men who should be engaged in the construction business but who for the most part are idle. In any event, sir, something must be done to provide more employment.

An. hon. MEMBER: Social credit.

Mr. MacNICOL: No, not social credit; I am not in favour of that at all. I have confidence in the ability of the minister to find some sound way of providing money that can be used for proper government support. According to the spring number of Building in Canada construction magazine, taking 1929 as normal, 100. which is different from the usual computation, in 1933, our low point, construction activities stood at 9·2 and by 1935 had risen to 19·7 That is a fairly healthy advance over 1933, and if we continue to advance with increased speed the construction business of this country will soon be back on its feet. But in Great Britain it has got back to 152·5.

I said a moment ago that all works such as roads, and so forth, should be counted in the program to provide work. As we go about this country over our fine concrete roads we frequently come to a narrow bridge. I have in mind two of them on the Dundas road from Toronto to Hamilton, on which

road fifty miles an hour is about the usual speed. But when the motorist arrives at the bridge west of Oakville and the bridge at the next river he finds himself in a regular bottle neck. Numerous accidents have occurred there, because the roadway is reduced from about thirty feet to about sixteen feet. In industry manufacturers are compelled to safeguard their employees with all sorts of appliances to keep them from getting hurt in operating or working with the machinery. But the government, responsible for the roads, is causing more deaths by these narrow bridges than industry is causing, and if the provincial government will not act it is high time the federal government did. It could thus give employment to a large number of men.

On page 2366 of Hansard there is a statement made by the minister with which I have to disagree. I quote:

> The fruits of economic nationalism in reduced business activity, shrinking governmental revenues and widespread unemployment are such as to justify in abundant measure the efforts which the present government has made, and will continue to make, to free the channels of international trade and expand the markets for our primary and other industries which must otherwise suffer stagnation and drastic readjustment.

The policy of the late government certainly was not economic nationalism, judged from the results it gave, results which the minister himself so highly praised in the quotations I gave a few moments ago.

I would point out further that one of the results of the policy of the late government was, according to Industrial Expansion in Canada, that from August 15, 1930, to the same date in 1935, 272 branch factories came into this country from the United States, Great Britain and other countries. These 272 factories make automotive parts, electrical parts, foodstuffs, machinery, metal products, chemicals, drugs, wood products, textiles and leather, etc. That is a very substantial amount of new business brought into this country by the activities of the late government. If the present minister and his government can do as well in the next five years they will be doing very nicely indeed.

I have a clear recollection of the last time this same policy, lower and lower tariffs, was introduced in this country, and I hope the same disasters will not result that accrued between 1922 and 1926. On several occasions I had to attend employment conferences of one kind or another, and I know that in September, 1924—the present Minister of Finance was not then a member of the government, but the Minister of Justice (Mr. Lapointe) was in the house then and he will remember—there were deputations from all over the country protesting against the free trade policy of the government of that day. There were protests from boards of education, city councils, township councils, county councils, labour organizations and every kind of organization in the country. In September, 1924, a delegation came to Ottawa and presented figures to the government indicating the contraction in business and manufacturing. Taking into account new industries started the net contraction was as follows, as a direct result, I believe, of the trade policy of the government of the day:

| | No. of industries closed |
|---|---|
| Food product | 87 |
| Tobacco and cigars | 12 |
| Fertilizer | 14 |
| Oil and chemical | 26 |
| Manufacturers of building supplies | 32 |
| Agricultural tools | 25 |
| Carriage makers | 8 |
| Iron and steel works | 38 |
| Leather products | 12 |
| Footwear | 21 |
| Rubber | 2 |
| Furniture and musical instruments | 30 |
| Automobiles | 19 |
| Toys | 6 |
| Textiles and apparel | 48 |

We do not want anything more like that.

A new plant in this country means a great deal in addition to the direct employment it gives. There is a new can factory going up—I believe it is practically in operation now—in West York. The minister referred to it some time ago, but his facts were inaccurate as I understood him, if he said that the trade treaties had something to do with its coming here. The trade treaties had no more to do with it than the man in the moon, because the arrangements were made last September; in fact the original designs were prepared some three or four years ago, after the Campbell Soup company itself came to this country. The new can factory to which I refer is about the same size as the Campbell Soup factory, and if it takes the same amount of material as the Campbell plant it will require some seven or eight hundred carloads of material of all kinds, such as sand, gravel, brick, piping, glass, paint, roofing and machinery, etc. So that every new factory started in this country means business not only for the men erecting it but for the factories supplying the building material. I hope the proposals of the government will not result in the lessening of factory building.

A day or two ago I read in a publication of the Department of Trade and Commerce of May 2 something which shows that all is not gold that glitters. In shipments of grain products to the United States for the first three months of this year compared with the first three months of last year there is shown to

be a material decrease. The figures are as follows:

| | Three months ended March 31 | |
|---|---|---|
| | 1935 | 1936 |
| Bran, shorts, middlings, cereal foods and screenings | $1,162,746 | $342,048 |
| Hay | 467,319 | 13,945 |
| Seeds | 272,200 | 38,182 |

It is to be hoped that the treaty will result in a different picture.

On page 2367 of Hansard there are two or three items to which I should like to refer. First, the minister referred to the conference in connection with the Ottawa trade agreements. I want to warn the minister and through him the government to be very careful, because every thousand men given employment in England for exports to Canada means a thousand less men given employment in Canada. Our own textile and steel plants are taking care of our requirements. If we have to buy outside of Canada, however, I should prefer to trade with England first, and after that with the United States. Above all I prefer to provide employment in Canada for the Canadian worker.

The minister made a generous reference to the balance of trade. In that connection he used this sentence:

> This is the fifth successive yearly balance in our favour and is the largest since 1927.

Immediately prior to this observation he had referred to the fact that this year the balance of trade is favourable to the extent of $216,000,000, whereas in 1931, the first year in which the late government held office, there was an adverse balance of $89,000,000, and when the late government first took office it was met with an adverse balance to the extent of $103,000,000. I hope nothing will interfere with a continuance of balances of trade in our favour.

I was further pleased to read the minister's statement that while the average increase in trade of twenty-four leading countries in the calendar year 1935 was 4·1 per cent, our own trade increase was 11·3 per cent. I cannot help feeling that the leader of the opposition (Mr. Bennett) must have been pleased to hear that statement from the minister, because it was very different from the brickbats that had been hurled at the right hon. gentleman during the last few years he held office. Political parties have the best intentions and do the best they can for Canada, and it is an act of generosity when one of the leaders on the government benches refers to the splendid results brought about by a predecessor in office.

May I hasten along to a discussion of the schedules, touching upon them only briefly.

[Mr. MacNicol.]

My first reference will be to item 362c dealing with nickel-plated ware, gilt or electroplated ware, n.o.p., under which the duty as against the United States has been reduced about 25 per cent from the general rate. I know that in Canada we have some first class nickel plating and enamelware plants. During the Easter recess I made it my business to make a tour of several of the big stores, and I am sorry to say that in one of them I found large quantites of these products which had come from six different states. I have no fault to find with those products, and I cannot blame the Canadian people for buying them because they are well made. But we can make them in Canada, and Canadian housewives whose husbands, sons and daughters are working in Canadian factories should be in a position to buy Canadian material. However, if the government makes it easier for them to buy products made in the United States those housewives cannot be blamed for buying goods made in that country. But if workers in a West Virginia plant are engaged in making the enamelware or nickel-plated ware which is distributed for sale in Canada, the purchase of that article by the consumer does not help the Canadian worker one iota. I saw products of this kind which came from Wisconsin, Ohio, Illinois, Pennsylvania, Massachusetts and West Virginia. I repeat that every thousand men employed in the United States to make enamelware or nickel-plated ware for Canadians displaces a similar number of men in Canadian plants.

Pursuing my investigations, after the agreements came into operation I found in the city of Montreal two full carloads of the common type of thirty-gallon kitchen boiler, with which all hon. members are familiar. I suppose those cars had in them a thousand boilers, and in that instance they came from the city of Pittsburgh. Men working in Pittsburgh plants made the steel for the boilers, performed the galvanizing operations, put them together and shipped them to Canada. Every man engaged in producing thirty-gallon boilers in Pittsburgh for the Canadian market displaces a man in Canada who could have performed those operations just as well. We make just as good steel in Hamilton as they do in Pittsburgh; we can galvanize boilers as well as they can. But if the duty rate makes it easier to import them, in my humble opinion such rate represents a retrograde step. We should be trying to give employment in Canada, not to give it to people in the city of Pittsburgh.

I should like to refer briefly to the agricultural implement industry. This phase of the subject was well covered by the hon. member for Greenwood (Mr. Massey), and for that

reason it is not necessary for me to say much about it. I must say however that on numerous occasions I have been greatly concerned to hear hon. members of this house denounce the agricultural implement people as bandits and everything that they should not be. I have heard the manufacturer denounced as a bad employer, and hon. members have heard statements that he is harsh in his treatment of his employees. On inspection of the plants, however, I found just what I expected to find, after my own knowledge gained from twenty-five years in industry. My investigation disclosed that there is no truth in the allegation. In one of these plants I spent four hours talking to the men, as well as the bosses, and I am free to say that in every case I found that the men spoke well of their company. Men in the Massey plant in Toronto told me that 206 of their number who had served the company for twenty years and had reached the age of sixty-five were now drawing a pension, to which they had not contributed, and which is fully paid by that company. Last year the company's expenditures in that behalf amounted to $95,000. When hon. members rise in their places and say that a company such as that has no soul, I say they do not know what they are talking about.

Up and down the years I have seen the same kind of bogey raised. Some years ago the western provinces denounced tractor manufacturers, and the result was that the government allowed tractors to enter Canada free, thereby destroying the Canadian tractor business. The next cry arose in connection with binder twine, with the result that to-day we have only three small binder twine companies whereas in earlier years we had a much greater number.

If the duties are lowered any further the industry cannot live. In fact, I do not believe it can live under the present rate. Canada a country manufacturing $16,000,000 worth of agricultural implements and machinery cannot compete with the United States manufacturing to the extent of $360,000,000. An industry supplying less than three-quarters of a million farmers cannot compete with one supplying six and three-quarter million farmers. Owing to our exports the Canadian industry is able to sell machinery at a fairly low rate to Canadian farmers. I wish time would permit me to put all the information on Hansard, but I shall take time to give some prices which were not mentioned by the hon. member for Greenwood. The following figures will give a comparison between prices of agricultural machinery in Hallock, Minnesota, and Emerson, Manitoba:

| | 1936 Retail list price Hallock, Minn. | 1936 Canadian list price f.o.b. Emerson, Man. |
|---|---|---|
| 3-fur. 14-inch tractor gang | $203 40 | $202 25 |
| 8½-ft. cultivator | 144 40 | 141 00 |
| 11½-ft. tractor cultivator | 202 50 | 184 00 |
| 20 Double D. Drill, LL | 263 00 | 250 00 |
| 28 Double D. Drill, LL | 384 55 | 358 00 |

I have not given the whole table. On several of the items the Emerson prices were higher, but taking the seventeen items before me I find that the retail list price at Hallock, Minnesota, is ·1808 cents per pound, and in Emerson, Manitoba, it is ·1810 cents per pound.

Mr. WEIR: Where did the hon. member secure those figures?

Mr. MacNICOL: I have quoted from the Canadian Farm Implement Journal, published in Winnipeg in April, 1936, and I accept the figures as being correct.

Mr. DUNNING: If those figures are correct, and I assume that they are, why does my hon. friend fear the sale in Canada of farm machinery at prices which, as he puts it, will put Canadian workmen out of business?

Mr. MacNICOL: That is a very fair question. Because of the cuts in tariff brought about by this government, the Canadian manufacturer has had to speed up and cut down his profits, until he has reached the point where he is manufacturing without any profit. As the hon. member for Greenwood (Mr. Massey) has stated these manufacturers are carrying on at a loss. I have asked some why they did not quit, why they did not close up their plants. They told me that it was impossible to get any money for a dead plant in which they had many millions of dollars tied up, and they were carrying on in the hope that things would improve. If the minister does not believe me—

Mr. DUNNING: The fact that I do not follow my hon. friend's argument does not mean that I disbelieve what he is saying.

Mr. MacNICOL: The minister seems to be listening to the advice of the hon. member for Saskatoon (Mr. Young), the hon. member for Melfort (Mr. McLean) and the hon. member for Moose Jaw (Mr. Ross), but I suggest he consult also with the hon.

member for Ontario (Mr Moore) and the hon. member for Brantford (Mr. Macdonald), and put into effect the policies they suggest.

Mr. DUNNING: Will the hon. member give me some advice himself?

Mr. MacNICOL: Yes, I would advise the same way. Something was said about shipping to the United States, and I went into this question very carefully. I find in our own Commercial Intelligence Journal, from which I quoted a few moments ago, certain information in connection with the shipment of agricultural implement parts to the United States. It states that $242,000 worth of implement parts were shipped to the United States. Upon inquiry I found that one of the large companies in the United States, with a Canadian plant, had an immediate need for parts which the Canadian plant had on hand. A number of carloads of parts were shipped over to supply this need and in this way the shipments to the United States looked to be much more than they really were.

The minister must have worn the thickest and darkest glasses possible to obtain when he considered item 431b covering many different motor parts. This item which covers many different parts manufactured in two fine plants in Brockville and St. Catharines is the cutest thing in the whole budget. The minister must have been wearing these heavy glasses when he considered this item. Among the directors of these companies are to be found the Hon. George P. Graham, a senator; Mr. Fulford, provincial member for Brockville, I believe, and Mr. Gordon Edwards, of the city of Ottawa.

Mr. DUNNING: I never knew of the existence of the companies.

Mr. MacNICOL: It is very cute to see them overlooked in the cuts, but I am pleased to see that 431b was not reduced. According to the information I have received the automobile industry has received a substantial blow because of this tariff. Perhaps there are some extenuating circumstances, but the trouble is that one manufacturer appears before the tariff board and tells them what he is up against. When he is asked to suggest something, he asks that his raw products be allowed to come in a little cheaper. These industries are being crucified in one way or another by this lowering of duties. I believe there are 82 companies manufacturing automobile parts in Canada. Altogether they manufacture 310 lines; they employ over 12,000 people and their payrolls amount to over $13,000,000. My information is that these factories have received a blow through this proposed tariff schedule. I hope there will be some way out of it. There are many members in this house from Ontario and Quebec respresenting towns in which are located these factories. The time has passed when members should be so party bound as to be afraid to speak out. I compliment the hon. member for Brantford for getting up in this house some time ago and defending the workmen in the city of Brantford. He had courage, and other hon. members should follow suit. More of the government members who represent fine plants and fine towns should get up to defend them.

Members who represent furniture companies in Hanover, in Durham, in Kincardine, in Southampton, in Stratford, in Kitchener, in London, and in other centres of Ontario, should defend them. This industry employs considerable labour. I have associations in the constituency of Grey-Bruce and I know one of many farmers who sold to a furniture factory in Hanover a large quantity of maple, ash, birch and other timber. If these factories are closed down the farmers in Grey, in Bruce, in Perth, in Waterloo, and in some of the other fine counties of Ontario will not be able to obtain such good prices for their timber.

I should like to refer for a moment to the Japanese situation, because I am greatly concerned about what will happen to the magnificent plants erected in Cornwall and two or three other points in Quebec, largely through the efforts of the previous government. I believe there are 4,000 people engaged in the rayon and allied industries, but at the present time this industry cannot compete with Japan. I should like to quote the wages paid in the Tokyo-Osaka areas in Japan, which are conceded to be higher than are paid elsewhere in that country. The daily wages in these Japanese areas, translated into Canadian currency, are as follows:

| | |
|---|---|
| Silk reelers, female.. .. .. .. .. .. | $0.21 |
| Cotton spinners, female.. .. .. .. .. | 0.24 |
| Silk throwers, female.. .. .. .. .. | 0.22 |
| Weavers, female, cotton, machine.. | 0.21 |
| Weavers, female, silk thread.. .. | 0.39 |
| Hosiery, knitters, female.. .. .. .. | 0.33 |
| Hosiery knitters, male.. .. .. .. .. | 0.61 |

If the minister would listen to me instead of to some of the western free traders, I would tell him what to do—raise the tariff and then regulate prices. If I had control, I would not allow exploitation. The purpose of a tariff is to give men work, and every factory closed throws men out of work.

Mr. YOUNG: Does the hon. member defend the differential in the prices of automobiles as between Canada and the United States?

Mr. MacNICOL: This government is going to collect a very substantial tax from

automobiles; I suppose it is needed and we will have to pay it.

Mr. SPEAKER: The time of the hon. member has expired.

Mr. J. A. MARSHALL (Camrose): Mr. Speaker, for weeks prior to the introduction of the budget I had a feeling of pleasurable anticipation that the Minister of Finance (Mr. Dunning) would depart from the old orthodox economic forms of taxation and by some means known to himself balance the budget and lessen the burden of taxation. When the Liberal party was swept into power on October 14, 1935, and the Prime Minister (Mr. Mackenzie King) looked over his vast following, there was no one in the ranks who was so capable of balancing budgets as his former Minister of Finance, the present holder of that portfolio. Then we find an urgent call going out to the minister, who had retired from active politics, to "come over to Macedonia," as it were, "and help us out." The cry did not fall upon deaf ears; the invitation was accepted and this amiable gentleman was taken into the cabinet and immediately undertook the greatest of all tasks, the work on the national budget. Since this budget came down last Friday I have wondered whether or not the Prime Minister has regretted his action on that occasion, because in my opinion the present budget differs little from previous Liberal budgets. In my humble judgment there are in the Liberal ranks men who are just as capable of balancing the family accounts—and I would refer to the genial and patient Minister of Labour (Mr. Rogers) and the alert and businesslike Minister of National Revenue (Mr. Ilsley)—as is the present Minister of Finance.

When the budget was introduced last Friday all the galleries were packed and I understand that four of the premiers were present. Had we had the other four or five the family circle would have been complete, and these premiers would have gone back to their respective provinces having received a splendid lesson in the attempt to balance budgets. I wonder whether this budget has had the approval of the Liberal party.

Mr. BLAIR: Pretty well.

Mr. MARSHALL: Pretty well, I hear. When the Minister of Finance announced a reduction of 1¼ cents per gallon in the duty on gasoline—it was reduced from 2¼ cents to 1 cent—I noticed there was a wonderful burst of applause from Liberal ranks. It was evident the party had given its blessing to this particular reduction. To my surprise, however, picking up the Ottawa Citizen on Monday, this was what I read:

> Canadian oil companies expressed concern at the government's move in reducing from 2¼ to 1 cent a gallon the duty on gasoline imported from United States. There was a suggestion the consumer might benefit by a slightly lower price for gasoline. Should conditions under the lower duty become impossible, President John Irwin of the McColl-Frontenac Oil Company, Limited, said at Montreal, "naturally they will have to consider closing." "As far as Mc-Coll-Frontenac Oil Company is concerned, we believe in continuing as we are now and if we find we cannot operate by manufacturing crude oil into gasoline in Canada, we have already made our plans whereby we will close our Canadian refineries and convert our crude oil tanks at Montreal and Toronto into gasoline tank farms," he said. The Toronto unit would be the first to be closed, he said, but said the company would first do the best it could.

This is the paragraph to which I would draw special attention:

> Addressing a Liberal meeting at Sarnia, the member of parliament for Lambton West said he was confident the government would correct the situation if the oil industry suffered from the duty change.

And then:

> "I must admit I was disappointed in the reduction of the gasoline tax so closely concerning this city," he said—

Mr. GRAY: I said that first.

Mr. MARSHALL:

> "—and I am not prepared to say what the result will be until it has been given a chance to work out."

May I suggest to the house that the same consideration be given the farmers in the event of their finding that they are unable to stand the sales tax increase from 6 to 8 per cent. At page 2363 of Hansard the Minister of Finance made this statement with reference to gold mining:

> Total output of gold amounted to 3,283,000 fine ounces with a total value at current market prices of nearly $115,000,000.

I want the house to keep that figure in mind—$115,000,000. On the evening of Friday, April 24, just a week prior to the introduction of the budget, at 10.30 p.m. eastern standard time the Minister of Mines wound up a series of addresses with the following sweeping statement:

> Is it too much to expect that a production of gold in Canada of from $200,000,000 to $250,000,000 a year would give the following results?
>
> 1. Decisively and permanently settle the problem of unemployment.
>
> 2. Bridge the gap between the east and the west with mining camps and communities established at numerous points.
>
> 3. Bring a constructive and probably a permanent solution to our railroad problem.
>
> 4. Create an even greater market than at present for foodstuffs, clothing, structural materials, mine machinery and equipment, electrical supplies, electric power, fuel,

explosives and innumerable other commodities including household furnishings and automobiles.

5. Revitalize the whole national economic life of the dominion.

6. Open up careers for coming generations of university graduates.

7. Ease the financial problems of the dominion, provinces and municipalities.

8. Alleviate the burden of our international indebtedness.

9. Assure the stability of the Canadian dollar; and, finally,

10. Stimulate the opening up and development of our resources in those north lands about which we know little to-day.

Then he concluded with the words:

We must not fail to grasp the opportunity that lies before us.

May I respectfully suggest to the Minister of Finance that sitting usually right at his elbow—he is not in his place to-day—is the man who holds the key to the solution of our problems.

On page 2384 of Hansard the minister said:

The two major obstacles to a balanced budget are the cost of unemployment relief including relief undertakings and the Canadian National Railways deficit.

I agree with him entirely in that statement. The solution which is proposed is a national commission. We are going to attempt to solve this problem by means of a commission. I say "attempt" because I do not believe that the unemployment situation is capable of being solved in its entirety. At the head of this commission is to be placed a man from Montreal named A. B. Purvis. I am very anxious that the people of my constituency, particularly the farmers, should get to know this amiable gentleman, and towards this end I sought out his record. Two sources of information are open to all who are seeking a man's record: one is the record kept by the Department of Justice, and the other is Who's Who in Canada. I found a very comprehensive record of this gentleman in Who's Who, so it was quite unnecessary for me to pursue my investigations further. I may say that my name does not appear in Who's Who.

An hon. MEMBER: It will.

Mr. MARSHALL: This is what I found about Mr. Purvis. He is (1) president and managing director of Canadian Industries Limited; (2) president and director of Dunlop Tire & Rubber Goods Company of Canada, Limited; (3) president and director of Canadian Safety Fuse Company, Limited; (4) director of the Bank of Montreal; (5) director of Bell Telephone Company of Canada; (6) director of Canadian Investment Fund Limited; (7) director of Canadian Lastex Company, Limited; (8) director of Consolidated Paper Corporation; (9) director of Liverpool & London & Globe Insurance Company, Limited; (10) director of Sun Life Assurance Company, Limited; and last, but perhaps not least, director of General Motors Corporation of New York.

Mr. LANDERYOU: He will never be unemployed.

Mr. MARSHALL: Surely a very imposing record. No doubt a man with a record of that kind is fully capable of protecting the interests of the farmers of western Canada. I have found that if you have a really knotty problem to solve or a difficult task to perform you should always take it to a busy man. That, I imagine, was the reason this task was assigned to Mr. Purvis. If the Minister of Labour is burdened down with the multifarious duties of his office, what must we say of Mr. Purvis? However, there is no doubt he will resign from all these positions and give his full time and attention to the solution of the problem of unemployment.

I know, too, it will be welcome news to the farmers of western Canada that the excise tax on Canadian brandies has been reduced from $4 to $3 a gallon, and that there has been a rearrangement of excise and customs taxes on automobiles designed to lower the prices of small cars to the consumers. I know it will be especially welcome news to those in many parts of the west who have found it impossible to feed and clothe their families decently, not to mention payment of taxes and the interest on their mortgages.

On page 2386 of Hansard I read:

In view of the decline in interest rates, it is intended to reduce the rate of interest on unpaid instalments of income tax from 6 per cent to 5 per cent, and to lower the penalty rate of interest with respect to overdue tax from 4 per cent to 3 per cent.

It would be interesting to know how many private individuals and how many corporations have given the government promissory notes in settlement of their income tax, and to what extent that is going to help balance the budget this year.

On page 2385 of Hansard I find that the grand total revenue for the coming year has been estimated at $387,850,000. In one place it is given as $385,850,000, but what is a couple of millions between friends? Below that we find:

As the main estimates and the special supplementary estimates call for expenditures of over $509,000,000, to which will have to be added any further supplementary estimates, it is apparent that the deficit for the year would probably total over $125,000,000 without taking into account possible losses on wheat, unless provision is made for additional revenue by the way of new or increased taxes.

After I had scanned that in Hansard I thought I would while away a few dull moments in this house—and you know there are some occasionally—by checking the estimates. Here is what I found. I am taking the estimates from the bluebook and also from the two white papers. General estimates total $384,427,548.64—we must not forget the cents; supplementary estimates, $51,167,229.11, and further supplementary estimates, $131,161,143.42. Making a total of $566,755,921.17. I was out of balance just a small item amounting to $57,000,000, but I suddenly remembered a statement made by the leader of the opposition (Mr. Bennett) on the evening of May 1. It is to be found at page 2445 of Hansard:

> In these supplementary estimates we are dealing with about $30,000,000 that this house pased last year, item by item. There was no limitation as to time placed upon these items; in other words the appropriations thus made by parliament, item by item, were not appropriations that lapsed on the 31st day of March, 1936. We are now engaged in passing these same items in their entirety, although part of the expenditure has been made and apparently the auditor general has found them satisfactory. I cannot understand just why we should ask parliament to pass a second time items that have been considered and passed by parliament in detail.

Mr. BENNETT: Hear, hear.

Mr. MARSHALL (reading):

> This is not a question of a blank cheque; these are items that were considered and passed in detail; the numbers of the items of last year could be given and were given this evening.

And here is the significant sentence:

> In these circumstances it would seem that these estimates have been padded by something like $30,000,000.

I deducted $30,000,000 and I am still out of balance to the tune of $27,000,000. The point I wish to make is this: What are the correct figures? Are we to understand that the figures as given—

Mr. DUNNING: Will my hon. friend permit me to answer that question now? I should like to explain that the error he has made has been in adding in with the figures he is using certain supplementary estimates for the last fiscal year. He has added those to the estimates for the current year which are now before the house. That is really the explanation of his error.

Mr. BENNETT: The $30,000,000 is stated to have been already voted.

Mr. DUNNING: I am not referring to that at all.

Mr. MARSHALL: To me the budget is nothing more or less than a big guess. Municipalities and business corporations are compelled to keep their expenditures within their revenues. If they do not, and I am talking particularly of municipalities, they are not only severely criticized; they are taken to task by the provincial governments. I never could understand why there should be one set of rules for municipalities and a different set of rules for the provinces and the dominion, but apparently such is the case, for with the latter unbalanced budgets are the rule rather than the exception. In my humble judgment the dominion budget should have been balanced this year. It is safe to assume, I think, that any government that does not take drastic measures to balance its budget within the first year will find it increasingly difficult to do so as its term of office gradually draws to a close.

There is a fast growing conviction that the great Liberal party is not fulfilling the pledges it made to the Canadian people, through the Prime Minister, on the evening of October 14. I realize, of course, that such a vast and far-reaching proposal as the restoration to the government of control over credit and currency issue cannot be brought about in a day or a week or a month, but surely the people of this country have a right to expect some declaration from the government before the close of the present session of parliament. It will do much to reassure all Canadians that this far-reaching policy has not been entirely lost sight of.

In conclusion I should like to quote from an article by Colonel E. M. House which appeared in a recent issue of Liberty:

> We are now faced by universal insolvency. The entire framework upon which modern society rests is tottering.

I say, Mr. Speaker, that it rests entirely with the Prime Minister, with the Minister of Finance and their vast array of supporters, whether or not Canada is going to be drawn into this abyss.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, first of all I should like to compliment the Minister of Finance (Mr. Dunning) upon the very clear and excellent exposition he gave to the house on Friday afternoon. I think those of us who were privileged to listen to him on that occasion realized that he had an unsurpassed grasp of the problems confronting the country. I should like to commend him also for some things I find in the budget. To those of us who come from western Canada and who represent rural constituencies the tariff reductions are indeed well received. I have particular reference to the reduction in the duty on gasoline, and to something which I think must have escaped the scrutiny of most hon. members, the comparatively large reduction in the duty on dis-

tillate, which, as we all know, is of primary importance to the producers who use that form of fuel for the operation of their tractors in the agricultural sections of Canada.

I am also glad that the duty on agricultural implements has been reduced to 7½ per cent, but after listening to the hon. member for Davenport (Mr. MacNicol) a short time ago I wonder why the duty has not been wiped out altogether. If agricultural implements are purchased in the town of Hallock, Minnesota, at higher prices than in the town of Emerson, Manitoba, there is no reason in the world why a protective tariff should be necessary for the Canadian implement industry. May I say to the hon. member for Davenport that those of us who come from western Canada are just as mindful of the interests of the men who work in the implement factories as are any other members of the house. But I should like to point out that an ever increasing percentage of the material and work entering into the production of agricultural and other implements is provided by means of machines, and the human element enters less and less into the production of implements and other commodities. I noted with a great deal of interest and some pleasure that one of these implement companies had set aside pensions for 206 of its work people who had reached the age of sixty-five. But may I point out that in all probability some of the funds for those pensions was provided by farmers who, because of the high prices of implements and for other reasons, lost their equities in their farms and now have no pension except the old age pension to guard them in the future.

The contention is made constantly that the implement companies are losing money, but I am hopeful that the inquiry into the agricultural implement industry which is now going on will demonstrate that at least a part of the losses are due to overcapitalization and overbuilding. Very recently, for example, the British government sent a commission to Canada to investigate the automobile industry in regard to the provisions under which imperial products may enter the British market. I happen to know that this commission refused to include in the overhead of at least one of our great corporations a plant in the city where I live which was not being used, and warehouse space in Walkerville, in this province of Ontario. Overbuilding and overcapitalization will account in no small measure for some of the difficulties of these companies.

We are pleased also to note the reductions, substantial in some respects and small in others, in relation to textiles. That is an industry which for a long time has had not only quite adequate protection but comparatively high protection. And, coming from the west where once in a while the people cross the border, we are pleased with the provision that we are to have the same privilege that is enjoyed by United States tourists coming into Canada, under which tourists returning to Canada from other countries will be allowed to bring in $100 worth of goods free of duty. I hope that some day not only the people who are privileged to have automobiles or who can buy steamship tickets, but people who cannot afford these things will be able to bring in one hundred dollars' worth of goods from time to time. But these provisions please me.

There is, however, one thing in the budget which I am exceedingly sorry to see, and that is the increase in the sales tax, which will fall very heavily upon the masses of the people who cannot afford to pay it. In Alberta for example the provincial government has also placed in effect a sales tax of two per cent, so that the people of Alberta will be charged a sales tax of ten per cent, which is exceedingly high. Already the effect of the sales tax can be seen in relation to automobiles; for it has been stated that the price of cars will be raised to the extent of the tax, which will restore the former price that was reduced by the trade treaty with the United States. I had hoped also, having regard to the criticism that was levelled against the sugar tax when it was instituted by the late government, that that tax would be wiped out. It is a tax upon the luxury of the poor. I well remember how a few days after the tax was first instituted I was driving in Saskatchewan with the reeve of a muncipality, who had a large family. He had bought a sack of sugar, paying the increased price of $2 per hundred pounds. He said: "I do not think the government of Canada realize just what that tax means to me." He pointed out that he had to take to the store forty dozen more eggs at five cents a dozen to pay the tax. It is indeed a tax which bears heavily upon the poor, a tax even on the candy used by our children.

Tariff reductions have received a great deal of discussion in this house, but again let me repeat what I and others of our group have said before, that tariff reductions, while useful, will not solve our problems of trade. Why not consider what other nations are actually doing at this time, namely, directing trade to those who will trade with them? In that connection the policy should be to trade as nearly as possible to the same extent with those who trade with us. Of course that involves controlled exports and imports, something which perhaps the present government is not prepared even to consider, and for which public opinion and public support will have to be moulded as the days

go by. Our sister dominion, New Zealand, is, I believe, taking control of the milling and wheat industry of that country from the first of May. Of course it is not comparable with the same industry in Canada, for in New Zealand wheat production is quite a secondary industry. But on August 1 of this year the government of New Zealand will also take control of all dairy produce, will export it and set its domestic price through a single governmental agency, guaranteeing to the farmer a fair return and selling the product abroad with the government's stamp upon it. That industry is comparable with our wheat industry because it is the primary industry of New Zealand. Switzerland demands direct trading relationships; Germany, Sweden and to a degree France, Italy and some other countries are demanding a quid pro quo in commerce with foreign nations. The world trading relationships are moving in that direction. Russia under a different plan and perhaps for a different purpose has been conducting her external trade along much the same lines for a considerable time.

Canada, we are told, faces grave problems. One hon. member has said that unemployment is our greatest problem; another says the railway problem is the most serious. But transcending both in my opinion is the problem of agriculture. In his speech the minister recognized its gravity. But I submit that other than the items to which I specifically referred there is little further hope in the budget for the agricultural producer. One thing that worries me at the moment, in connection with the reports we are getting from western Canada of weather and soil conditions there at the present time, is; What will happen if this year western Canada produces a bumper crop? What allotment of money have the government made to cope with the situation that may conceivably arise? What plans have the government for financing the situation which may come about this autumn? Drought, grasshoppers and rust have relieved us of the necessity of facing that problem in the last two or three years. This year, although the carry-over will be reduced, it will still be large. We congratulate ourselves that during the past year we were able to find a market in the United States for some of our farm produce. But speaking at Lincoln, Nebraska, last Monday evening in the state university, the Secretary of Agriculture, Mr. Wallace, said:

> The main fact to bear in mind, however, is that these increased imports were due to an absolutely unprecedented situation. I suppose the same situation is not likely to occur in the same degree for another one hundred years, unless our climate is changing drastically. There is simply no point in viewing the farm imports of 1935, which were caused by the drought of 1934, as reflecting a normal situation facing the American farmer.

Our recent trade treaty with the United States will not help us in relation to that problem. In the same speech Mr. Wallace went on to say:

> One might go on to show the extremely small size of farm imports, even in the face of the terrible drought of 1934, as compared with our normal production. It is truly surprising that quite the worst drought since the Civil War should result in imports of corn representing only about two per cent of our average production; wheat a little over three per cent, beef, including canned beef, three per cent of average slaughter; pork one-tenth of one per cent of average production; and butter one per cent.

Even under drought conditions the American union imported relatively little, and once good conditions return they can probably satisfy their own market to the full. Not only that, but Secretary Wallace indicated that under such conditions he hoped they would be able once again to enter upon the export of agricultural goods. In the same speech he said:

> As supplies of wheat and pork and other export products increase with normal weather, we should regain a part of our foreign trade in these products, too.

So that not only are we faced with a loss of the market we had to the south, but we are faced with competition in the world market from surplus products of farms in the United States. This year those United States farms may become a real factor in the world agricultural situation, and should Russia also go on the expor market the situation would be considerably aggravated. Of course, as was shown yesterday by the hon. member for Vancouver East (Mr. MacInnis), fortunately for Canada farms, Russia has a rising standard of life, and as the standard rises consumption increases; consequently the danger of competition from Russia decreases proportionately. But we cannot lose sight of the fact that Russian agricultural sowings of grain in this year are higher than in preceding years, and with improved methods and a scientific background we do not know what the future has in store for us so far as competition with Russia is concerned.

And so I say: Will not the government realize that old-fashioned or "normal" trade, as it is called, is done? Our producers need blankets, boots, clothing, cutlery and a multitude of other things. One has but to travel and visit the homes of the producers to find that what I have said is abundantly evident. In Great Britain and other European countires there are people who are unemployed

and who could make these goods. They are underfed because they are unemployed. France, Germany, Great Britain and other countries need wheat, beef, butter, pork, fruit and so on. "Oh," some one says, "if we attempted to exchange their commodities for ours we would close our factories." Well, gentlemen, the factories are closed now. It is true that we face a dilemma; I realize it. We face that dilemma because of the unplanned and unintelligent economic system to which we have bound our faith. Sooner or later we shall have to make a choice, and to my mind the choice will be between the encouragement of native, natural industries in Canada and the continued encouragement of tariff-nurtured ventures which are monopolistic and powerful and have sheltered themselves behind tariff barriers of various kinds.

I heard the leader of the opposition use the word "parasitic" in one of his radio addresses, but perhaps in another connection. I use the same word when I say that these parasitic industries, if I may so describe them, are destroying the basic industries upon which they feed. We must face that fact. Much of the soil drifting and soil depletion in western Canada is due to that same kind of economic structure. Again may I quote from the same speech by Secretary Wallace:

> Farmers know that the reasons for ruthless exploitation of soil have often been economic—that under pressure of extreme supply and price fluctuations they have been alternately forced by ruinously low returns and induced by boom conditions to mine and sell soil fertility, or to expand the farm plant by turning under millions of acres of grass lands which should have remained in sod. I believe that farmers understand the public and private importance of stabilizing production, stabilizing prices, and of maintaining the productivity of farm land for years to come.

If that is true of the United States it is equally true of Canada. What hope do we find in the budget of stabilizing agricultural conditions in this dominion? Unplanned production with unplanned markets are bringing Canada, in common with may other parts of the world, to the very brink of economic and social chaos; for reduced purchasing power on the farms and in industry reduces consumption. By rational control and by trade exchanges abroad we must increase purchasing power and consumption in Canada. Of course that is a tremendous undertaking, and I do not envy the task of a finance minister who has to cope with it, but I submit that it is not an impossible task.

What preparations are being made by the government, the Minister of Finance and the Bank of Canada to meet the possibility of financial chaos in the near future? When we pick up our daily papers we read disturbing accounts of the financial activities of almost every country in the world—the United States, France, Germany, Italy, of course, and even Great Britain. What preparations are we making to meet the situation which will develop? Are we going to follow the United States in the inflation which at the moment looks almost inevitable? If so, to what extent and how will that affect our trade relationship with our best customer, Great Britain? Conceivably it may assist us for a time, if we follow the American dollar. On the other hand, unless we are prepared to meet the situation, the ultimate dislocation may have disastrous results. Of course this involves a discussion of banking and finance. I do not purpose discussing those matters this afternoon, except in so far as they relate to the budget proposals.

It seems to me the time has come when national ownership of our central bank, our currency and our credit, and their use for national ends, is tremendously important. Before parliament prorogues we should give these matters full consideration.

The minister aims at something more nearly approaching a balanced budget. In the course of observations I made on a previous occasion I said I was not particularly interested in balancing the budget, but that I was more interested in the balancing of human welfare. That is still my opinion. The minister admits that there may be hon. members who will criticize the budget as a move in the direction of further deflation. I should like to hear the hon. members for Vancouver-Burrard (Mr. McGeer) and Rosthern (Mr. Tucker)—the latter is in his seat—comment on that particular opinion expressed by the minister.

In that connection I should like to place on Hansard a quotation as it appears in a publication known as Index, No. 123, of March, 1936, published by the Swedish central bank, and which is an authoritative document on the Swedish financial system. Professor Bertil Ohlin, referring to the improvement in Sweden, has this to say:

> This change of circumstances is all the more remarkable if we compare them with conditions in a typical gold parity country such as France. As part of their deflationary policy the governments there, in order to wipe out the deficit on the budget, have effected one reduction in expenditure after another, yet they have found, much to their chagrin, that the revenue has declined as speedily as the expenditure and that there is still a huge deficit. This actually applies also to the budget for 1936. Formally it is balanced, it is true, but the equilibrium has been achieved by the transfer of heavy non-profitable expenditure, e.g. considerable defence items, to a special budget. It cannot be said therefore that the budget is effectively balanced.
>
> This course of development leads us to a very important conclusion regarding financial

policy in periods of severe and prolonged depression. The falling-off in government revenues caused thereby and the increase in expenditure that is generally called for, e.g. for combatting unemployment, are so heavy that neither economies nor higher tax rates effected on a scale that is practically feasible can fully compensate for them. In other words, it is not possible to balance a budget so long as a policy of deflation is pursued.

Recent events in a number of countries show, on the other hand, that as soon as the deflation ceases and economic conditions improve the equilibrium in the state finances is restored. Government revenues rise and expenditure on unemployment goes down. It is really something of a paradox that in a country such as Sweden, where no attempt was made during the crisis to arrive at a balance, the budget is nevertheless now balanced, whereas a lack of equilibrium in the state finances has presisted in France, where the governments have made the balancing of the budget the primary object of policy.

It seems to me that that is an opinion worthy of study. In some degree it is the same contention which we in this little group have made so often. The balancing of a budget curtails consumption and to that degree makes economic improvement more difficult. Whilst I mention what Sweden had done in this regard, I am not forgetful of what it has done in the utilization of some of the great monopolies to assist in the financing of social services. Sweden is considering the utilization of further monopolies for this purpose. I commend this suggestion to the government and the minister, not for inclusion in this budget, as that is manifestly impossible now, but for consideration as a means of improving our economic position sometime during the next two or three years, when I fancy the minister will be faced with a financial situation even graver than that facing him to-day.

The amendment moved by the hon. member for Vancouver East (Mr. MacInnis), in which I concur, advocates a levy on accumulated wealth to reduce the burden of our national debt. I believe this must come. Increased taxation of incomes in the higher brackets will undoubtedly have to come. In this regard may I say I have been told on quite good authority that there are men with comparatively large fortunes made in this country who have transferred their domiciles from one province to another in order to escape death duties or to obtain a reduction in such levies. I heard of one gentleman who has removed himself to the Bahama islands, I believe it is, and obtained domicile in order to escape taxation upon his fortune by the country in which he made it. That is not patriotism, and it is an action which should be prevented by the parliament of Canada. Such things should be treated as criminal offences.

Mr. DUNNING: How?

Mr. COLDWELL: The Minister of Finance says "how." All that a man can remove from a country are the figures and documents pertaining to his wealth; the real wealth remains. If the documents removed are bonds of the Dominion of Canada, then the indebtedness to the dominion can be dealt with.

Mr. DUNNING: We have no trouble with that now.

Mr. COLDWELL: If he has shares in Canadian industries—

Mr. DUNNING: We have no trouble there either.

Mr. COLDWELL: Then I hope the Minister of Finance will do a little better than his predecessors in collecting income and other taxes from those who receive substantial incomes. When we compare our tax rate with the rate in Great Britain—

Mr. DUNNING: Perhaps my hon. friend will permit me. The dilemma is not precisely as he puts it. It is possible for a resident of Canada to own forms of wealth which do not relate to Canada. That has been so in many of the cases I have investigated. Naturally the first move of the man who contemplates escape from taxation is to transfer his wealth into some form which will more easily enable him to avoid that taxation. Once he has obtained domicile elsewhere, it is rather difficult to act. That is why I asked my hon. friend how he would deal with it. I am always looking for suggestions.

Mr. COLDWELL: I thank the minister for that information. We publish the names of criminals, whose activities have been subversive of the best interests of the country, and we should publish also the names of those who seek to escape their just share of the burdens of this country. We should let the people of Canada know precisely just who they are. I think that would be a salutary method of dealing with them; it might not be wholly effective, but I make the suggestion to the minister.

Mr. DUNNING: I think in one case that has been fairly well done.

Mr. COLDWELL: Not only have we to consider the public debt of Canada, but we have to consider the tremendous private debt. Of course the budget does not deal with this particular form of debt except in some minor details. At this point I should like to say that I am rather disturbed at the tremendous burden of debt upon people who have produced, who have worked in an endeavour to obtain a competence in the country in which

they live, and who now find that under present economic conditions the things for which they worked are passing from them. I was sorry to learn from some farmers in my constituency that they had been informed that the payments made in relation to the 1930 certificates were no longer under their control. In many instances they had hypothecated them because of financial obligations and to-day they find themselves in no better position on account of these payments, except for the reduction of their debt, than they were in before. When the matter was before the house I was under the impression that the payments would be made only to the person who owned the certificate and who had delivered the wheat to the country elevator.

I see that my time has just about expired, and in closing I would say this. This house and the country as well will be faced with a tremendous problem in the next two or three years. Every constructive thought should be brought to bear upon the problem that confronts us, and we should not frown upon ideas because they are new, no matter from what quarter they may come. If we study the solutions that have been arrived at elsewhere and examine suggestions that are put forward here and in other places from time to time, I am quite convinced that we shall pass through the difficulties that we face to-day to a better and a fairer social order.

Mr. PIERRE GAUTHIER (Portneuf): Mr. Speaker, may I be permitted to speak in French, with which I am more familiar and which is my mother tongue. I am well aware of the courtesy of hon. members and I am sure that the house will extend to me the same hospitality that is shown by the old French legislature in Quebec when once in a while a member speaks in English. I am proud of the spirit of fraternity displayed by the different races composing this assembly.

Before continuing my remarks in French I wish to say this to the Minister of Marine (Mr. Howe). A speaker of the unionist party in Quebec, who happens to be the local member for Portneuf, said the other day on the radio that the political spirit and fanaticism had induced federal Liberal members representing the different counties in Quebec to leave the portfolio of Marine in the hands of an Ontario member. I simply say that this local unionist member was talking through his hat, and though a pilot and a director of the Montreal Pilots' Association, he was certainly not speaking on behalf of that body. The permanent members of the Montreal pilots' organization had an opportunity to confer with the Minister of Marine and they were absolutely satisfied with the interview and the interest which the hon. gentleman showed in receiving them. This organization has always fought for its rights and has never acted in that way before towards the marine and pilotage authorities. It is true the minister is from Ontario, but we see beyond the limits of our own province and we believe that Ontario is a part of Canada just as much as is Quebec. The pilots know that the minister is a Canadian through and through and is doing splendid work, and this isolated attack will not stop him from devoting himself to maritime interests on the St. Lawrence and elsewhere in Canada.

(Translation): Mr. Speaker, may I be permitted to continue in French the few observations I have to offer.

In spite of the eight years I have spent in the Quebec legislature, it is not without emotion that I rise to address a gathering composed of so many of Canada's most eminent public men. I would not wish any utterance of mine to hurt anyone's feelings. A soldier of the valiant Liberal army, I cherish but one wish: to bring to the discussions of the house the expression of my ideas, believing them to be worthy of utterance before the representatives of the nation, and I have but one thought, a thought which, I believe, should fill the mind of every good patriot—that of contributing, in the measure of my capacity, to the welfare and advancement of our glorious country, the finest in the world.

I do not wish to continue, Mr. Speaker, before tendering to you my most sincere congratulations on your elevation to the speakership of the house. The glorious exception whose voice was raised in objection to your nomination as First Commoner of the land only served to confirm the general sentiment. Your personal qualities and your deep knowledge of parliamentary procedure give you an indisputable right to your high office. Your manner of conducting the proceedings of the house has established your worthiness to occupy it.

May I be allowed to congratulate the Minister of Finance (Mr. Dunning) on his clear and frank statement of the financial and economic situation of the country. The Minister of Finance has confidence in the future of Canada and of the Canadian people. He said the other day—and all Canadians should ponder his words—that we must have confidence and that we must preach that confidence without which the nation cannot advance and which is the antithesis of all ideas based on the interests of groups, of cities or of provinces.

To seek to enlist popular support for a theory by holding before the people prospects of ease to be obtained at the cost of

a minimum of effort; to group forces sometimes produced by entirely different energies, in order to ensure the momentary success of a party; to preach a theory the application of which would load on the shoulders of the state all the charges of the country; to make the government the controller of all the activities of the people; to create a sort of national bureaucracy by restraining the hand of the individual; to establish in the nation a system of extreme paternalism; to try to divide a country by calling up questions of rights disregarded and of differences of interests; in short, to create a small state within the larger one, those are some of the ideas—I have certainly not enumerated them all—that are current in the world and in this country to-day, and whose progress we should not fail to watch.

I said a moment ago that I was a soldier of the Liberal army; I may add that I am proud of it and that I have no hesitation in following the lead of my chiefs. Let us open the pages of our political history; let us read the ones that the great Sir Wilfrid Laurier wrote from 1896 to 1911; let us recall the economic situation as it was under his successor the right honourable the present prime minister (Mr. Mackenzie King), and let us compare that period with the years of Conservative rule. On the one hand, we find Canada enjoying a flourishing trade and profitable international relations, the efforts of Liberal governments being always directed to the same end: lowering of taxation and reduction of the debt by the exercise of rigid economy. Under Conservative governments, on the other hand, we find our debt ever increasing, our trade strangled by excessive tariffs and the people increasingly burdened by the weight of taxation. A good Canadian summarized the situation very clearly in saying: "Conservative governments pile up debts and Liberal governments pay them off."

I do not wish to be too hard on those who have nearly all disappeared—the Canadian people having made sure that they obtained a well-deserved rest—but I cannot help remembering the election of 1930, with its butter in the province of Quebec, the numerous conferences that were to raise Canada from its ashes, the manner in which the present Minister of Justice (Mr. Lapointe) was attacked for advocating the repeal of Section 98, and the famous posters, as grotesque as they were insulting. I will refrain from mentioning Mr. Sage's course of economics and apologetics.

In 1930 the people decided to try an experiment. In 1935 they thought better of it. And that government, that cost the people the large sum of 800 millions of dollars, is still deploring the fragility of things human and wondering at the good sense of the voters.

We, also, hear the cries of the mothers, but we heed them. Instead of treating the symptoms, as inexpert physicians do, the government attacks the disease at its root. Our trade, freed from its bonds, is back into its normal course, and the Canadian people find opening up before them, in consequence of the reciprocity agreement, a market of 100 millions consumers. The late government had understood at last, but too late. The tories tried, in 1935, to make an issue of their efforts to negotiate the famous treaty that they had killed with the aid of the nationalists of 1911. Their repentance was tardy, but their contrition did not seem to be perfect—then came their penance.

The Liberal party must now reconstruct. As all sound builders, they must start at the foundation. The edifice cannot possibly rise in a night. Being a skilled architect, the Prime Minister of this country has surrounded himself with able men. They are only too ready to place their knowledge at his disposal and, judging from the numerous testimonials which are unceasingly pouring in since the Minister of Finance presented his splendid budget, the Canadian people have regained confidence and hope to live again years of prosperity and peace.

I stated just now that the economic structure of this country cannot be built up in a night; there will be delays and setbacks. Among these will be found unemployment. Many are astonished to hear it still spoken of; it was to have been solved so rapidly! Unfortunately the problem is still with us. I recognize with many others that strenuous efforts were made to alleviate unemployment. Public works, colonization, etc., are so many remedies used to relieve it. Public works are a palliative, a treatment of symptoms; no sooner are they completed than the unemployed reappear as numerous as ever, waiting for further works to start. But governments must find revenues to meet all these expenditures.

The freedom and development of trade, tested remedies resorted to by a Liberal administration, will soon relieve this constraint, anxiety and fear experienced by the victims of an unrelenting congestion. Like individuals, society must breathe, financial organizations must consolidate and expand, trade must be encouraged and mutual trust must revive between nations as well as between individuals. For twenty years, high tariff barriers have prepared the crisis from which we have so long suffered. Let us hope that the same blunder will never reoccur and that the

general interests of countries will displace selfish personal interests, be they those of the financiers, "corporatists" theorists, politicians or individuals.

The Canadian nation owes its birth and development to the loyalty and self-sacrifice of its citizens. It cannot continue if self interest is to prevail. Inhabiting the same country, belonging to different races and creeds, having interests often diametrically opposed to each other, we must even bring a strictly national viewpoint to the solution of the problems with which we are faced. Away with interprovincial boundaries and with racial distrust! Loyal subjects of one king, governed by federal or provincial laws of one country, all Canadians, be they French, English, Scotch, Irish, living in the west or in the maritime provinces, should feel that they are brothers of those belonging to the same races living in the central provinces. To each one his rights, his creed, his language and his aspirations! The confederation of the Canadian provinces has survived to this day and it behooves us all to strengthen it, if possible, and cause other countries to envy the harmony that reigns here. May I recall the old but always true saying, dear to my colleague from Quebec South-west (Mr. Parent) "United we stand, divided we fall."

I referred, sir, to the means of relieving unemployment; I mentioned colonization. I reside in a province which has understood the necessity of directing its activities towards that goal; an extensive program of settlement has been carefully prepared by the Quebec government and is now being carried out. Thousands of settlers coming from the cities, many of whom are farmers' sons and urban workers, have been settled on lands chosen by agents or colonization missionaries. New centres appear here and there: Abitibi, Temiskaming, Gaspé, Témiscouata and others which will open up new avenues to trade and industry, to the worker and even to the professional man, thereby relieving the overflow of our cities by directing it elsewhere. Is this not, sir, a true remedy, is this not attacking the root of the evil, that is the disproportion existing between urban and rural populations? I believe so, and the highest church and civil authorities have realized it long before I did. The movement should spread to the whole country, in spite of adverse criticism and of opposition from whatever source.

Our fertile lands are great in extent and only require to be stirred to produce. Many of our natural resources still lie idle and only await the appearance of the hardy toiler. Why not have recourse to the strong arms of Canadian citizens?

[Mr. Gauthier.]

Canadians are still willing to work and if we direct them well, if we place at their service the means at our disposal, if we furnish their initiative with the opportunity to manifest and develop itself, there will be no need, in order to revive their confidence, to preach so many doctrines, sometimes brilliant but too often deceptive, because of their false conception of the relation between the state, whose duty it is to govern wisely, and the citizen.

The state helps its citizens to live; it cannot undertake to provide a living for everybody. The state, by its laws, encourages and facilitates work. It is not a fountain of plenty in which all may dip without accomplishing any work. The state works; the people must do likewise. I place too much faith in the Canadian people to doubt of their abounding resourcefulness. The Liberal government recognizes this and its entire program breathes work and reconstruction.

Statistics show that nearly 2,000,000 persons still depend on direct relief. Although industrial employment is on the increase—I think it is the young and brilliant Minister of Labour (Mr. Rogers) who made that statement the other day—the number of those who depend on direct assistance is not decreasing. The constant increase of the population with its new contingent of industrial workers, the inventions and use of new machines and new processes explain the present situation. May I, sir, mention another explanation. I wish to speak of the important and delicate subject of immigration, and with that I will close my remarks.

I well recall that in 1930 Conservative speakers decried the Liberal party for having permitted immigration. The Conservative government were going to prohibit it entirely. This promise, like the one in connection with butter, was carried away on the winds as easily as are the autumn leaves. The Conservative government did make an effort and, by order in council No. 695 of March 21, 1931, restricted the flow of immigration. On September 6, 1931, another order in council, No. 2115, was passed in connection with Asiatic immigration. And here is the result. To a question I asked in the house, I received a reply that from March, 1930, to March, 1934, 147,660 immigrants entered Canada. Of this number 73,846 came from the British Isles. From April 1, 1934, to January 31, 1936, 21,996 immigrants entered Canada, which must also be added to the figure given in the first reply, making a total of 169,656 immigrants. And immigration had ceased!

I am not called upon to establish a parallel with immigration previous to 1930 or 1911;

it was much greater. But at that time we had not, out of a population of 10,000,000 people, 2,000,000 persons depending on direct relief. When the government is making every effort to find and provide work, why should they add a new problem to the existing one?

A few moments ago I asked that new centres be opened to settlement and that the unemployed be put to work at the development of our natural resources. But if immigration does not cease, there will be no end to unemployment. In spite of all that may be said, I cannot believe that it is only capitalists who are entering the country.

No, sir, to my mind our immigration laws should be revised once more and we should tell those who feel an irrestible urge to come to Canada, to wait until we have solved the unemployment problem and have so amended our laws as to greatly restrict the choice of immigrants.

I quite admit that there is room in this country for many more millions of people. I am in favour of admitting people from the British Isles and British born or French citizens! But it is rumoured, as may be seen by articles in a number of Canadian newspapers, that people from other countries cross over to England, become naturalized, and then enter Canada. I do not wish to ostracize any race. All are entitled to a place on this earth. But each nation is also entitled to choose its new citizens. Let those who are obliged to resort to subterfuges to enter Canada remain in their own country. We wish to ascertain where we are at and know something about those who wish to settle here. That is all I have to say for the present on this question. I trust that the government will accept my remarks on immigration in the same spirit as those I uttered a few moments ago.

Still speaking from a national viewpoint, having but one object in mind, the welfare, harmony, prosperity and progress of Canada, I remain true and loyal to my compatriots, to the Liberal principles which are dear to me, and to the Canadian fatherland for which I cherish a great love. It is my intention to keep posted, by every possible means at my disposal, on the human capital that comes to us.

Mr. Speaker I wish to pay homage to my constituents of the beautiful county of Portneuf. I have their interests at heart and I count on their loyal cooperation and frankly Canadian support to carry out my work on their behalf.

May I, sir, direct the attention of the government to a rather important problem interesting the county of Portneuf: that of the production and sale of charcoal. I have already discussed this question in the Quebec Legislative Assembly and I now ask the federal government to help us find markets for this product of Portneuf county, especially to help us in meeting a ruinous, I may even say an unfair competition. I rely on the full support of the right hon. Prime Minister and of the Minister of Trade and Commerce (Mr. Euler), to find, in the near future, a satisfactory solution to this question, in order that our producers of charcoal may carry on with the confidence that is essential to the success of their industry. Mr. Speaker, in closing my remarks may I be permitted to express the wish—and in this I feel I have the support of my hon. friends in the far corners of the House—that some day, in order that we might better enjoy the splendid speeches delivered in the house, the government will at the suggestion of His Honour the Speaker, instal microphones with loud speakers in the four corners of the Chamber, thus enabling us, the back-benchers, to hear as well as those more centrally seated.

## 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 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 General had been pleased to give in His Majesty's name the royal assent to the following bills:

An Act for the relief of Sonya Shenkman, otherwise known as Sadie Shenkman.

An Act for the relief of Louisa Markland Molson Blaiklock.

An Act for the relief of Rita Constance Beatrice Gurd Rykert.

An Act for the relief of Helen Elizabeth Ham Lilley.

An Act for the relief of Mary Kaydouh Massabky.

An Act for the relief of Dora Louise Gustiana York.

An Act for the relief of Violet Charlotte Dyke Duiven.

An Act for the relief of Irene Louise Penny McKee.

An Act for the relief of Esther Shapiro.

An Act for the relief of Thomas John Howard Fox.

An Act for the relief of Ruth Fitzrandolph McMaster.

An Act for the relief of Agnes Mercer Daniels.

An Act for the relief of Gerald Thompson Miltimore.

An Act to assist in the relief of Unemployment, the promoting of Agricultural Settle-

ment and Rehabilitation, and in the Development, Conservation and Improvement of certain natural and other resources.

An Act to authorize an agreement between His Majesty the King and the Corporation of the City of Ottawa.

An Act for granting to His Majesty certain sums of money for the public service of the financial year ending the 31st March, 1937.

At six o'clock the house took recess.

## After Recess

The house resumed at eight o'clock.

## THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed consideration of the motion of Hon. Charles A. Dunning (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the proposed amendment thereto of Mr. MacInnis.

Hon. H. H. STEVENS (Kootenay East): Mr. Speaker, I am happy to note that the Minister of Finance (Mr. Dunning) is in his seat, as I desire to extend to him my sincere and hearty congratulations upon the manner in which he presented the budget. The clarity of his language, the thoroughness of the examination of the public accounts and the general manner of presentation were admirable, and I have no hesitation whatever in extending to the minister my earnest congratulations.

Under our democratic system it has long been one of the cherished rights of the people to present their claims to parliament through their chosen representatives, and for an equally long time the occasion of the presentation of the budget by the Minister of Finance has been considered the most opportune moment for a statement of those claims by the people's representatives. Parliament is supposed, in theory at least, to give earnest consideration to those needs or grievances or claims as the case may be.

The budget itself discloses the maximum that the government is prepared to do to relieve the distress or to meet the needs and claims of the people. I shall discuss the present budget from that standpoint. It is my intention to leave the discussion of all detail until the committee stage when there will be opportunity to discuss and examine the various phases of the budget and the statement made by the minister, so I trust it will not be thought that because I do not in the limited time at my disposal to-night enter into a discussion of any of these matters, this is on account of any lack of appreciation of their importance.

[Mr Speaker.]

The Minister of Finance said, as reported on page 2384 of Hansard:

> I am confident that common sense and sound economic policies can solve our immediate problems.

These words suggest to me two questions: first what are our immediate problems, or what were the immediate problems that the minister had in mind as disclosed in his remarks; and second, what does he mean by "sound economics"? As to the problems the minister had in mind, I do not think it is difficult to recognize them. They are: First, the promotion of foreign trade; second, how to balance the budget, and third, the protection of Canada's credit. I do not think he would disagree with me when I say that these seem to me to rank first in importance in his mind. A vital question is: How does the minister apply his principle of 'sound economics' to the solution of these problems? Let us take first the promotion of foreign trade. I will again quote the minister, because it is highly important that we get a clear understanding of his attitude towards the general situation. On page 2366 of Hansard he is reported as saying:

> It is not putting it too strongly to say that foreign trade is the very life-blood of Canada.

These are very strong words. Perhaps I should quote a little further from the same part of his speech. He said:

> Every step which helps to provide markets for our agriculture brings nearer that day when the Canadian farmer, receiving more for his products than it costs to produce them, will once more provide, through the stimulus of his purchasing power, a sound basis for national prosperity.

I do not take exception to either of these sentences; that is, I do not take particular objection to their form. I object, however, to the assertion, which they seem to me to make, that the whole solution of Canada's problems, agricultural and others, is to be found in the extension of foreign trade. It will not be possible for me to examine that aspect of the question in detail, and I do not intend to go into figures, but I will make one or two observations about it. I prefer the term "external trade" rather than "foreign trade," because the largest proportion of our outside trade is done with the British empire and I do not think we should speak of that as foreign trade. The government seem to rest all their hopes for recovery on the increase of our external trade. I submit to the minister and to the government that they are blindly ignoring imminent domestic problems the solution of which must come from within Canada. I do not care to what extent our foreign trade is increased, there are most

imminent problems, to which I shall make reference later, that must find their solution within Canada. But this is the government's only answer to the appeals of those who are suffering. For instance, the Minister of Labour (Mr. Rogers) has on more than one occasion intimated that the measures which he has introduced for the relief of unemployment are temporary, bridging the gap as it were, until, as he said, our foreign trade restores us to a condition of prosperity. In my own riding of Kootenay East, in and around Fernie, Michel, and Coal Creek, we have a body of miners. Let me tell the minister and the house of the conditions under which these miners have been living for the past six years. A great many of them have not been working at all. Those who have been working, particularly at Coal Creek and Fernie, several hundreds of them, have for six years been getting two or three days' work a week, and no relief, because when they are working two or three days a week they are not allowed to go on relief. These are splendid men, fearless in the hour of danger; they are exactly the type of men who performed heroic service in Nova Scotia the other day. They are good fathers and husbands; most of them have families, and all they are asking is that they be permitted to work. Oh, the minister replies, we have recently arrived at a modus vivendi with Haiti for foreign trade. He says: We have under discussion some arrangements in regard to extending our treaty with France. He says also: We reduced the duty on rabbit skins from Belgium. Are these and other efforts towards the extension of foreign trade an answer to those miners? Is it a common sense answer?

Mr. DUNNING: If I may be permitted to interrupt, my hon. friend is unfair in making that observation. Taking the duty off rabbit skins from Belgium must in its relation to foreign trade be considered in connection with what Belgium took off Canadian imports.

Mr. BENNETT: Which was a violation of the most favoured nation treaty.

Mr. STEVENS: I quite appreciate that, but the minister must have a little sense of humour—well, I should not say humour—to understand the ghastly nature of such an answer, when those miners ask for an opportunity of providing food and clothing for their children, to tell them: Our answer is in the extension of our external trade. What I am seeking to impress upon the minister's mind is this, that in the presentation of this budget and in these matters to which I am now referring there is no answer to the miners of Fernie and, of course, to others in similar circumstances. But I say this: I doubt whether there is in Canada any place where men, women and children have suffered more than have the miners and their families at Fernie.

Mr. DUNNING: Due to the absence of foreign trade in their province.

Mr. STEVENS: The minister told us that last year foreign trade increased $151,000,000 over the figure for 1934. That, I think, is very creditable. But in that same year the numbers on relief did not decrease. There was no decrease, but there was a distinct advance in foreign trade. Supposing this year there is an advance of $150,000,000 or $200,000,000; if it has the same effect as it had last year it will not help these people on relief at all. That is the point I am trying to make.

But the minister says, no doubt: See how it helps the farmer. In fact, in my quotation a minute ago from the hon. gentleman's speech he indicated that an extension of foreign trade was the very foundation or basis of national recovery. Well, let us look at that statement briefly. No doubt an extension of foreign trade will help to some extent, but let us bear in mind that about ninety per cent or more of the products of the farm are marketed and consumed in Canada. I have before me a list which I shall not trouble to put on Hansard at present, but with the exception of cheese, wheat and apples, practically every other article produced on the farm is consumed and marketed in Canada to an extent of about ninety-five per cent. So, an extension of foreign trade is not going to help them so much, because world prices are invariably lower than domestic prices, and if there is one thing the farmer needs more than another it is an increase in prices. As the minister himself asserted in his thesis every step which helps to provide markets for agriculture brings nearer that day when the Canadian farmer through the stimulus of his purchasing power will introduce a sound basis for recovery. I have already indicated that the great bulk of these goods are marketed in Canada. External prices are invariably lower than domestic prices. How then can we hope, by an extension of external trade, to make such a recovery in the condition of the farmer, or, as the minister says, to lay a foundation for the recovery of conditions throughout the whole country.

For a moment let us turn to the question of balancing the budget, and here again I quote the minister:

> What we can and must do is to make an immediate appreciable approach to a balanced budget.

And then follows what is to me a very strange statement:

I feel it necessary to budget for a deficit this fiscal year of something less than $100,000,000.

He is budgeting definitely for a deficit. That is a policy of defeat, and it is disclosing a stubborn adherence to orthodox methods. I submit to the minister that times are not normal, and that this is not a time when we should consider the question of balancing the budget along orthodox and normal lines, because so far they have failed to permit of balancing it. However, let me deal with that later on.

Let me now turn to the third point, namely the protection of Canada's credit. Here again we have the minister dealing in superlatives:

If we continue this process of handing out unds without security—

And I submit that was not a very fair statement of the case.

—and without control of any sort, we shall be in danger of undermining dominion credit, which, in my opinion, must be protected at all costs.

I quite agree with the Minister of Finance that we must protect dominion credit. But when one takes that observation in conjunction with these other observations of what I call orthodox financial opinion of to-day it has a sinister meaning. We must protect the credit of Canada at all costs. If we are talking as patriotic Canadians—why, yes; everybody agrees. But if it means that we must protect the credit of Canada so as to ensure security to those who hold federal, provincial, municipal and corporate securities at high rates of interest, and maintain the sanctity, as they call it, of these contracts at their present level, then I do not agree with it.

One of the main criticisms by the orthodox group in this respect is the railway problem, or burden. Let me say a few things about it. I shall not speak fully to-night, because I hope to have an opportunity to speak more fully in the course of the discussion of the bill now before the house concerning the railways. I do, however, wish to say a few words on this occasion. I submit that unification means turning over the Canadian National Railways to a great transportation trust. In my opinion that is the plan which is behind all this agitation. So far as Canada is concerned, it is fascism in economics; that is what it is, and it will end in bondage of a more aggravated type than we have ever dreamed possible in Canada. I warn the house of the trend of affairs in that respect. I think the critics of the Canadian National Railways are grossly overstating the case. The people are being terrified into a surrender of this valuable asset at less than cost; that is my firm conviction. If you tell a man daily he is ill, he will become ill. Years ago when I was a mischievous young fellow a few of us undertook to test this out. We met a certain man, and one after another told him that he was looking badly. In less than a week to my consternation he was in the hospital.

The point is that constant reiteration of a certain statement will fix in the public mind until it cannot be removed, a conviction which may not be true. In this instance I do not think it is true. We hear the statement that the Canadian National Railways problem is such that it is impossible for Canada to survive. I do not agree with that. Let us look at the matter for a minute. Out of the interest charges indicated in the budget about $80,000,000 are directly due to the war; pensions and civil reestablishment account for $54,000,000 more. These two items add up to $134,000,000 of our present day budget. That sum has been accounted for during the last eighteen years; there has been no diminution and no asset is represented. When we talk about the country surviving and about the enormity of the problem presented by the Canadian National Railways, let us at least have some appreciation of other sections of the financial burden of Canada.

By the way, during the nine years hon. members opposite were in office, and while the succeeding government held office there has been no diminution of any amount in the debt. There was a slight drop for a few years, but it again increased. The point is that $134,000,000 of the minister's problem of $162,000,000 is due to the war, and, of course, we cannot avoid that; it is there and we have to face it. But why point to the Canadian National Railways, which in the last few years has had deficits of alarming dimensions, and say: This is what is going to ruin this country; this is what is going to destroy us? Well, Mr. Speaker, we have not been destroyed after eighteen years of paying $134,000,000 a year in interest and pensions on account of the war, for which expenditure we got nothing. That money all went up in smoke. But in the Canadian National Railways we have, as I said the other night, a magnificent plant. Do not let the people of this country be deluded into thinking they have nothing for the money which was put into the Canadian National Railways.

What is the suggestion of the government with regard to the railway problem? It is to substitute a board of directors for a board of trustees. That appeals to me as a sort of playing with tweedledum and tweedledee. It

does not make any very great difference which system of management you have except in this one case—and here I am going to say something very plain to the government—have they any serious grounds for this change? Is this action the fore-runner of a deliberate plan conceived by forces inside and outside this house to secure this great national asset at a mere fraction of its real value? Obviously the present proposals to deal with the problem of the Canadian National Railways are meaningless unless they are part of a deliberate plan hitherto undisclosed. And I think before the session closes there should be a full and complete disclosure to parliament of all the factors that lie behind this bill for the restoration of a directorate instead of a board of trustees for the Canadian National Railways.

I am told by those who know more about this question than I do that under the present statute under which the board of trustees was appointed it would be virtually impossible to bring about a scheme of amalgamation. But in the meantime the public mind is being poisoned. Apprehension, alarm, distortion of facts, despair of a solution, are being instilled into the public mind, which already is harassed to the point of confusion and hopelessness by other troubles and discomforts. As I said a moment ago about the man who is driven sick by continually telling him that he is sick, by constantly instilling into the public mind the idea that our railway problem is hopeless, that we are faced with disaster; by arousing apprehension and alarm, you are going to create a condition of public mind which, I believe, some people hope will lead to the surrender of this asset at something less than its value. Let me ask this question: What, after all, are our real problems? I do not agree with the emphasis that the minister placed upon the problem. I would say that these are our two main problems: unemployment and debt.

Mr. DUNNING: That is precisely what I myself said.

Mr. STEVENS: No. The minister's only reference to unemployment was a wave of the hand and a reference to the legislation before the house.

Mr. DUNNING: Oh, no.

Mr. STEVENS: Now I am going to ask this question: Can anything be done that has not been included in the budget? I think that is a fair question. Personally I think much can be done. The minister fears inflation, and the other day he certainly disclosed in a graphic way that he fears inflation. Of course, whenever the term "inflation" is used the suggestion is made that inflation of currency is meant such as Germany indulged in after the war. Usually that illustration is trotted out and it is said there is a long step between the inflation of the present government and what Germany did. I fear inflation of the kind that occurred in Germany just as much as the minister does, but what I fear more than inflation is deflation.

Mr. DUNNING: I fear them about equally.

Mr. STEVENS: I fear deflation more. That is just about the difference between us. After all, there are two degrees of inflation. There is inflation of currency, money, and there is inflation of credit. I am not going to discuss this question at length, but I will say briefly that between 1925 and 1930 the bankers of the United States, and to a much lesser degree the bankers of Canada, indulged in an orgy of inflation of credit which, it is stated, resulted in a loss to the American people of something like one hundred billions of dollars. I think that is correct. But when you talk of Germany's inflation, there is no doubt that the inflation of credit which took place between 1925 and 1930 in the United States was equal in its effects almost to the inflation that took place in Germany. I see my time is passing and I must hasten on.

What has Britain done? I believe that we can do much more than is proposed in the budget. Britain devalued the pound. It may be said that we followed, but we did not follow until after the United States, and the United States was about a year and a half after Britain. How well I remember, in the fall of 1931 and the spring of 1932, those who stood for sound money and all that sort of thing pointing to Britain as being the cause of a catastrophe to this country threatening the very life of the nation. I never agreed with them. It was not true, and we do not hear much about it to-day. Oh, no, it is a different story now. True, we have devalued the dollar, but we simply toddled along after Great Britain had given the lead, and after the United States had followed Britain's lead.

Britain has also adopted on a grand scale a housing scheme which has been discussed before in this house, and I mention it now to the minister only because we have hardly touched this question at all as compared with what Great Britain has done. The minister in his speech about Britain referred to what we had done along similar lines, but he differs from the interpretation I put upon it the other night, so I shall not press that point. I simply say that in regard to housing we have not touched the question at all in the sense that Great Britain has.

Britain also took up industrial restoration on a wide scale. Let me read very briefly from the Midland Bank Review of July last, and this is worth listening to because, while what I say may not be of much importance, this is an authority. It reads:

It was perceived that the restrictive policy was having injurious effects on our economic life, and from time to time its strict enforcement was modified in the interests of British industry and trade.

It goes on:

Stability of the value of the pound in terms of goods has replaced stability in terms of gold.

Do not let us forget that.

The essence of the matter is that Britain's monetary policy since 1931 has come to be formulated with first regard to the interests of British industry and trade.

That is what should be done in Canada, but it is not being done. Finance and banking are the servants of commerce and industry, and the sooner that truth is made clear in our financial activities the better it will be for this country.

Mr. DUNNING: Who says otherwise?

Mr. STEVENS: It is not the practice; that is what I am referring to. Let me read another brief extract:

No lasting world recovery can be achieved, and no reconstruction of an international monetary system accomplished, until the complex and irregular web of international debts is cut away where necessary and brought everywhere within the compass of the new structure of commodity prices.

That is what the Midland bank says. I shall not enlarge upon it; I submit it merely for what it is worth.

Before I pass on let me say this: Since the deflation of the pound, through the leadership of the Bank of England—I am quoting now from the statement of the Bank of England—they have lowered the average yield on prime commercial paper, business undertakings' securities, from 5·7 per cent in early 1932 to 3·4 per cent. That does not include, as the statement shows, British government issues of any kind. It is a lowering of commercial rates, and that is what this country needs: a lowering of commercial rates as well as of dominion rates.

What has Belgium done? In one year, Belgium has jumped from a condition of despair into a condition of almost complete release from depression. That was all done in one year, I repeat. A year ago last March she was in that condition; to-day her trade with the United Kingdom is up thirty-three per cent and unemployment has been reduced in the year twenty-six per cent.

[Mr. Stevens.]

Let me quote from Wigglesworth's, London, report of April of this year:

Fortunately there are rare examples of progress within the economic field, and Belgium provides an interesting lesson.

An article in the Sphere for 14th March gives a graphic account of the events in that country since the premier of Belgium, Mons. Van Zeeland, took office. On the eve of his retirement after twelve months of brilliantly successful ministry, it is profitable to record the marvellous progress made by this busy, highly industrialized little country of eight million inhabitants, which has blazed a trail for other countries whose financial and economic conditions continue unsatisfactory.... The banking system was the first to be reformed, and there can be no doubt that to this are due in no small part the credit facilities which contribute so much to the well-being of the country.

It goes on to show the result of the devaluation of the franc.

I quote now from the Midland bank review of April of this year:

To compare economic and financial conditions in Belgium to-day with those of a year ago is to observe a remarkable transformation, due mainly to the wisdom exercised in formulating and carrying out governmental policy in respect of business affairs. It is appropriate now to review the changes that have occurred for the end of March concludes a chapter of economic reconstruction in a country which, through pressure of deflation, had been reduced to a condition of serious distress. ... Power was taken to reduce its gold content by not less than 25 and not more than 30 per cent. On March 31 a new gold content was established at a figure 28 per cent below the old, and the exchange rates quickly adjusted themselves to the new level.

But listen to this:

The gold was revalued for the time being on the basis of the minimum prescribed reduction in the gold content of the currency, namely 25 per cent, and the immediate addition to the value of the gold holding, in terms of Belgian francs, was about 3,750 millions. Leaving aside minor sums, 1,000 millions or rather more was allocated to each of three distinct purposes: the establishment of an exchange stabilization fund; the formation of a fund for steadying the market in government bonds; and the general purposes of the treasury, in particular, it is thought, the financing of public works.

This sum of 3,750 millions of francs would represent, roughly, $500,000,000.

That is what Belgium has done; she has taken definite steps, all within the ambit of present day law and possibility, but a departure from the orthodox method of financing. The statement is made in these reports that the result has been highly satisfactory:

One further consequence of devaluation needs to be mentioned: the great strengthening of the position of the National bank.

And so on. One might cite Sweden, Norway, Denmark, South Africa and other countries,

all of which have openly abandoned the tight money policy and adopted what is known as the easy money policy. The have used the credit of the nation to help agriculture and to restore industry and commerce. The question is: What can we do in this respect? As my time is rapidly passing, I should like to read twelve suggestions which I have to offer. I know perfectly well they will be misunderstood and misinterpreted by some, but I make these suggestions as an indication of what I think could be done in Canada without disturbing what is known as the general economic structure of the country. I am sorry to say to my hon. friends of the Canadian Cooperative Commonwealth Federation that I cannot follow them in their amendment owing to the last clause which refers to a capital levy and, I think, intimates more or less socialistic action.

Mr. MacINNIS: The hon. member will come around in time.

Mr. STEVENS: My hon. friend says that I shall come around in time. Well, I have studied it for a great many years, and while I appreciate their point of view and give them full credit for sincerity, I cannot follow them. But I do not think such action is necessary, for there is ample room for progressive, almost radical action without adopting such measures.

These are the suggestions I have to offer:

1. Unreservedly determine not to increase our debt for three years—not even for deficits.

2. Adopt a policy of refunding all existing dominion government bonds or dominion guaranteed bonds at a rate of interest below three per cent.

3. On generous terms consolidate the dominion, provincial and certain municipal debts, providing such provinces or muncipialities as take advantage of the opportunity will undertake to make no new issues, the same as the dominion.

4. Make the Bank of Canada in a true sense the government bankers, and utilize its powers of issue to the full extent, consistent with the principle of a twenty-five per cent coverage of gold for all outstanding notes.

5. Use the system of issuing treasury bills as freely and as extensively as is done in Great Britain, having regard for difference in population.

6. Utilize all surplus funds thus created for stabilization of exchange, purchase of outstanding bonds and general purposes of the government in relieving unemployment, et cetera.

7. Retain in Canada a substantial proportion of our annual gold production for purposes indicated in the preceding paragraphs.

8. Adopt a vigorous policy to encourage mining production by moderating taxation for a five year period and also by assisting smaller but proven properties into actual production.

9. Relieve agriculture from the dominance of powerful quasi monopolies, especially in the live stock and dairy branch, and substitute friendly government cooperation for monopolistic private dictation. This can be done.

10. Adopt a housing policy on a nationwide scale, along the lines of that in operation in Great Britain and Sweden.

11. Provide useful and constructive employment by an extensive reforestation scheme and by elimination of level crossings—not in the petty way indicated in the estimates the other day.

12. Let parliament declare for a just price to the farmer for his products and a fair wage to the worker; for it is only by the restoration of the purchasing power of these groups that commercial and industrial recovery can be achieved.

Mr. REID: What about silver?

Mr. STEVENS: Well, my views on silver are well known. I would put that in too.

Mr. REID: But the hon. member left it out.

Mr. STEVENS: There are many more suggestions I could put in, but what I am suggesting now are proposals capable of application without, I think, very much trouble. It has been said of Thomas Jefferson, that great Democrat, that he failed when in office to put into practical operation the fine ideals he had preached when out of office. I think there is very much resemblance in that respect between the two great Democrats, the right hon. leader of the government and Thomas Jefferson.

I will now quote from a publication which will be accepted, I think, by hon. members on the other side of the house and at my extreme right. I am sure that this extract from the Canadian Liberal Monthly will be a fitting conclusion to my remarks:

> Liberalism recognizes the supreme importance of the individual man and woman and of creating conditions in which human personality can expand in freedom and express itself in works of usefulness and beauty, and on this account Liberalism offers the only practical policy by which the greatest happiness of the greatest number of men and women can be attained.... Liberals have to their credit the achievement of political freedom—the gift of the nineteenth century. Give them the power, and they will achieve economic freedom in the twentieth century.

Some hon. MEMBERS: Hear, hear.

Mr. STEVENS: Well, you have power—170 members out of 245. I say to the Liberals here to-day and I say to the Liberal party, having quoted from the last issue of their monthly review: These are fine ideals, fine words, but are they to be only words? When I read them this thought came to my mind: Almost thou persuadest me to be a Liberal.

An hon. MEMBER: Come on over.

Mr. STEVENS: When I thought of the sentiments expressed, and when I turned to my hon. friend's budget and found how far it was from realizing the splendid sentiments which are expressed in those words, I felt that I could not, as yet at least, offer myself for adoption by the Liberal party.

An hon. MEMBER: We are on the road.

Mr. STEVENS: I am afraid my hon. friends are on the road to the reactionary side of politics. That is not true of all of them, but I can pick them out; there are a lot whom I could pick out who are more reactionary than my friends sitting to my immediate right. But, as I said in my opening speech of this session, there are many of them who came to this house imbued with the very sentiments which are expressed in this Liberal Monthly. I am now calling upon them, at this time of opportunity, the occasion of the budget, when as representatives of the people they are supposed to speak for their people, to make good their faith and to heed the cry of the people for relief from distress, not in the form that is indicated in this budget, which will give little or no relief, but in some practical way. I have made some suggestions. I do not presume to say that they exhaust the question. If there are others, coming from the government, which are better or equally good, I shall gladly support them, but I cannot feel in my heart that in the budget which has been presented the minister or the government has done justice to the problems of this country.

Hon. J. E. LAWSON (Yorth South): Like many of those who have preceded me in this debate, I desire to extend to the Minister of Finance (Mr. Dunning) my congratulations upon his budget speech. His grasp of Canada's financial problems was commendable; his diction indeed was praiseworthy, and his delivery worthy of the highest praise which I can give him.

I regret that I cannot join with my hon. friend from Rosetown-Biggar (Mr. Coldwell), who spoke this afternoon, in congratulating the Minister of Finance upon the tariff provisions of his budget. I listened with a good deal of pleasure and considerable profit, as I usually do, to the address of my hon. friend from Rosetown-Biggar, but when he was dealing with the reduction in the tariff upon agricultural implements I could not help thinking that he and I approached the problem from different viewpoints. He approached it from the viewpoint of the agriculturist, and his main desire apparently was to procure for agriculturists cheap agricultural implements. I approach the problem from the standpoint of the worker in industry, the people whom I represent, and I am free to confess that my concern is: Will it create jobs or will it not create jobs?

Yet, Mr. Speaker, I could not help feeling that probably the hon. member for Rosetown-Biggar and I would not be far apart in trying to arrive at some solution of our problem if only we had before us the facts relative to the situation. I am not one of those who have been of opinion that tariffs should be, as some one expressed it in this house the other day, as high as Haman's gallows. I am one of those who have always believed that we should have protective tariffs, and I am inclined to the view that my friend from Rosetown-Biggar would not disagree with that principle so long as he was satisfied that, included in that measure of protection, there was not a return upon watered stock and what was not true capital. But in connection with the provision in this budget for agricultural implements, we had no opportunity to ascertain what was the correct and fair rate to provide protection in that industry, protection to provide jobs for those in whom I am particularly interested, and to provide reasonable prices to those agricultural consumers in whom my hon. friend is primarily interested. Here we had a case where an investigation was pending that would have given us all those facts which we should have. In the midst of it, for some reason best known to the government, there is this drastic reduction made in the protective tariff applicable to the agricultural implement industry. I suggest to my hon. friend the Minister of Finance that, as undoubtedly he will be replying in closing this budget debate, in doing so he give me some reason to believe that the action of the government in taking this step in the midst of the inquiry was other than to pacify an insistent demand from some of his agricultural representatives and supporters in the House of Commons from western Canada who wanted a cut in the tariff on agricultural implements, no matter what might be the result to industry or to the job-hunters of this country.

I could almost believe, as I heard the budget, that my hon. friend had adopted some of the psychology which was being advocated by the hon. member for Kootenay East (Mr. Stevens) to-night, except that I think the minister probably proceeded according to that system which is known as Coué ism, and instead of dealing in his budget with the major problems of Canada, he proceeded to say: Every day in every way things are getting better and better.

Surely there were in this country problems to be taken care of at this session of parliament, problems for which the Canadian people expect a solution. They were: a balanced budget, which, as far as the business community was concerned, included a solution of the railway problem and the problem of relief and, as far as the ordinary man on the street was concerned, the problems of unemployment, prices of agricultural products, and relief. Since the last election I have heard some hon. gentlemen opposite boast in this house of the results of the election, as far as they were concerned, and of the great majority which they had in this chamber. Well, Mr. Speaker, I have made one or two observations in connection with the last election. Probably a great many will not agree with my conclusions, but briefly they were these: The business community sought a balanced budget, a solution, as they call it, of the railway problem, and the ordinary man on the street wanted employment and he wanted to be rid of relief. They felt that those things had not been done which might have been done by the previous government. They, the people of this country, were not prepared to go the length of voting for what to them were such radical ideas as those advocated by my social credit friends or those advocated by my Cooperative Commonwealth Federation friends, but they were in favour of a change and so the vast majority of them voted for the Liberal party. Why? Because they were led to believe, by the utterances not merely of the leader of that party but also of several gentlemen running under that banner, that if they but returned that party to power their problems would be solved. The other night my hon. friend from Sherbrooke (Mr. Howard) was boasting in this house that the Liberal party made no promises. Well, you do not have to sign a promissory note in order to make a promise. How well I remember the handsome Minister of National Defence (Mr. Mackenzie)—

An hon. MEMBER: The hon. member should be a good judge.

Mr. LAWSON: I am glad my hon. friend pays me that tribute. How well I remember the Minister of National Defence advocating for this country a national credit, and telling the people how this credit was to be administered in order to meet public needs. How well I remember Liberal gentlemen advocating a reduction of taxes. How well I remember seeing an edition of the Vancouver Sun of the day following the speech of the right hon. Prime Minister (Mr. Mackenzie King) in that city. There listed in flaming headlines were ten policies of the Liberal party, and last but not least on the list was the reduction or abolition of the sales tax. They have demonstrated that reduction or abolition by increasing it from six per cent to eight per cent. How well I remember the present Prime Minister leading the unemployed and those on low wages in this country to believe that if the Liberal party were but returned to power their problems would be solved. Do we not remember how he went about this country and said in nearly every province, "We now have Liberal governments in power in every province. If you will but put a Liberal government into power at Ottawa, then we can all get together. We can sit round the same table; we can agree upon policies, and we shall not have these disagreements as to the jurisdiction of the respective legislative bodies." Well, the people accepted that dictum; they elected a Liberal government. That government did meet with the provincial governments; they did put their feet under the same table and they did agree, but upon what? They agreed on referring the maximum hours of labour measure, the minimum wage bill and the unemployment insurance bill, which might have brought benefit to the people, to the Supreme Court of Canada. So they have succeeded in getting those measures out of the road for some months instead of bringing them into operation. That was the extent of their agreement. I remember further that the Prime Minister not only said, "Put the Liberal party into power in Canada and we shall all be able to agree"; he also said, "Send us back with a great majority; send us back with a large enough majority and you will not require any national government in Canada."

Some hon. MEMBERS: Hear, hear.

Mr. LAWSON: I am glad I am such a good imitator of the Prime Minister that my hon. friends applaud. "Send us back with a large enough majority and you will not require any national government in Canada. We will be a national government, and as a national government we will solve your problems of railways, unemployment and taxation."

Some hon. MEMBERS: Hear, hear.

Mr. LAWSON: I am glad my hon. friends approve the solution. So far the solution we have for our railway problem is to include in this budget a sufficient number of millions of dollars to pay the deficit.

Mr. BRADETTE: We have had only five months.

Mr. LAWSON: I want to say to my hon. friends that even if they have had only five months they will never have a better opportunity in their lives to deal with Canada's problems. This is the time to do it.

An hon. MEMBER: You had five years.

Mr. LAWSON: But, my good friend, you went on every platform in this country, and you did not tell the people that if you were returned to parliament, instead of bringing in legislation which would solve their problems you would sit in your place and howl across the floor of the house, "What about the last five years?" That was not what you said on the stump in Canada. Oh, no; far from it.

Well, I mentioned the solution that has been offered for the railway problem. What solution has been offered for the problem of unemployment? We have seen the creation of an employment commission, to which has been assigned just one of the jobs that were to be undertaken by the unemployment and social insurance commission which was created months before. By their actions the government have prevented that social and unemployment commission from proceeding with the job, and in spite of the fact that legislation has been passed setting up the new commission it still has not been appointed and has not started to work to solve Canada's unemployment problem.

Then, what solution has been offered for the taxation problem? Is there in this budget a single provision that reduces the taxes paid by anyone. Not a bit of it; instead of that new taxes have been added.

An hon. MEMBER: What about the gasoline tax?

Mr. LAWSON: Well we shall wait and see what effect the reduction in the gasoline tax will have. We have not found it putting any money into anyone's pocket. As far as I am concerned no one will ever hear me raise a complaint in this house against any reduction in tariff based upon a report of a judicial or quasi-judicial tribunal such as there is now in the tariff board of Canada. That is what I call a scientific approach to a protective tariff. My complaint is when without investigation, or in the middle of one, a haphazard stab is taken at the tariff, thereby causing the loss of jobs to people in this country.

Mr. McNEVIN (Victoria, Ont.): If I may ask a question, what action did the hon. member's government take to raise it?

Mr. LAWSON: Raise what?

Mr. McNEVIN (Victoria, Ont.): To raise tariffs. Did they take advice from an expert body?

Mr. LAWSON: The answer to that question is: No, we did not take advice from an expert body, because there was no such body in existence in Canada when we came into power.

And hon. MEMBER: Yes, there was a tariff board.

Mr. LAWSON: If the hon. member talks about the old tariff board will he tell me who in this country, outside the Minister of Finance, ever knew what the recommendations of that board were? In addition to that, the chairman of that board was elected to and was a member of this house. No, there was no expert tariff board from which we could take advice. What we did was this, we immediately raised tariffs. I offer no apology or defence for that. We did it for the purpose of creating and holding jobs for Canadian workers in Canadian factories. But having raised the tariff our next step was to set up a tariff board, a board with the standing of a court, before which people could go with their complaints, a board whose sittings and hearings were open to the public, and whose reports and findings must ultimately be brought to the attention of parliament and the people of this country. I say to my hon. friend: No, we did not have scientific advice, but we created a board that will give to this government scientific advice, and we took the advice of that board once it started to function.

Some hon. MEMBERS: Oh, oh.

Mr. McNEVIN (Victoria, Ont.): Did the hon. member's government's high tariff cure what they set out to cure?

Mr. LAWSON: Yes.

Some hon. MEMBERS: Oh, oh.

An hon. MEMBER: That is not even funny.

Mr. LAWSON: I was not endeavouring to be funny. I flatter myself that I have

a discretionary sense of humour which knows when to be funny and when to be serious. I started to answer my hon. friend to the right and I said yes. We never hoped by the creation of a higher protective tariff in this country to solve a world-wide problem of depression, but we did hope to maintain as many jobs as possible for Canadians in Canada, and we accomplished that purpose.

Now I really intended to be very short, but if my hon. friends keep up this running fire I shall probably fill out my time. I had reached the point where I asked what relief of taxation upon the people was effected by this budget. To almost one-third of all the people in the riding I represent, who are on relief, it is a nearly intolerable burden. To ninety per cent of the people in the riding I represent it is a hardship. Let me point out why. No one, I am sure, would suggest for a moment that the schedules of relief which are in effect in this country afford more than a mere subsistence to those who live under them. As a result of this increase in the sales tax one on relief who has to buy a pair of shoes that cost, say, two dollars, has to pay an additional sixteen cents in sales tax.

Mr. DUNNING: Is the hon. member sure of his calculation?

Mr. LAWSON: I think so, I figure eight cents on one dollar is sixteen cents on two dollars.

Mr. DUNNING: And he has to pay that much additional?

Mr. LAWSON: I did not say additional.

Mr. DUNNING: Oh yes, distinctly. Hansard will demonstrate.

Mr. LAWSON: All right, we will stand by the demonstration of Hansard; I did not use the word "additional." On a $20 suit of clothes the same person now will have to pay a tax of $1.60.

Mr. DUNNING: What did he pay before?

Mr. LAWSON: He paid $1.20. And on all consumable goods there is an increase in the rate of sales tax that is just one-third greater than it was before this government came into power.

Mr. DUNNING: That is not correct.

Mr. LAWSON: Yet this government had enunciated as its policy the reduction or abolition of the sales tax.

An hon. MEMBER: And we will reduce it.

Mr. LAWSON: I hope so. On every occasion on which you do I am confident you will have the support for that purpose of all Conservative members of this House of Commons.

Mr. DUNNING: I did not get it the last time I reduced it.

Mr. LAWSON: Did you not, in respect of the reduction?

Mr. DUNNING: No, it was opposed.

Mr. LAWSON: I thought you got it in respect of the reduction, but I think in order to vote for that reduction we had to swallow your sweet pill of countervailing duties, and that was something we could not swallow.

Mr. DUNNING: Your party spoke against reducing the sales tax.

Mr. LAWSON: Well I can only say that I did not speak against reducing it.

Mr. BENNETT: It shows how little they knew about world prices. They did not know anything about them.

Mr. LAWSON: And I shall not speak against reducing the sales tax. So here we have a government elected to power by the largest majority any government in Canada ever had, a government to which the people of this country looked with high hopes for the solution of their railway, their economic and their unemployment problems. And the solutions we have had offered this session are the appointment of an employment commission, one or two other bills equally ineffective, and now so far as the budget is concerned, the last hope for reducing taxation or providing more jobs is gone. I sincerely trust that my hon. friends of the government, before this session finishes, will bring down some measure of legislation which will more speedily afford a solution of the problems of those who are suffering from unemployment and want.

Mr. J. S. TAYLOR (Nanaimo): Mr. Speaker, my speech will not be a very long one.

Some hon. MEMBERS: Hear, hear.

Mr. TAYLOR (Nanaimo): In answer to that I might say that some day this house will value a speech not for the parvum in "multissimo," but for the multum in parvo.

Mr. LAPOINTE (Quebec East): That is good French!

Mr. TAYLOR (Nanaimo): Mr. Speaker, I thoroughly enjoyed the orderly presentation of the budget by the Minister of Finance (Mr. Dunning), but that thorough enjoyment related not to the matter but to the manner. I am compelled to express much regret over the matter of the budget, and I do this with

a deep feeling of reluctance because upon reading it I find it to be the careful and honest work of a careful and honest Minister of Finance. But, sir, I cannot fight away the impression that it is purely a bankers' budget conceived and worked out by a banker mind—and I say this without reflection upon that profession—I believe it has been worked out by a banker mind with an orthodox banker's attitude. In this corner of the house we believe that among us we have some banker minds, but they are unorthodox banker minds. And we have sufficient aplomb to assert that this country will shortly demand financial direction of its conditions by unorthodox banker minds.

In the budget there is a strange subservience to the code of that stratum in our country's life which we call big business. Had its own heralded representative, whoever he might be, talked in this house he could not have delivered a better budget, from that point of view. And it may well be, therefore, that many in Canada will approve the orisons made before the god of things as they are. I can see the Minister of Finance with his whole strength attempting to withstand the surging force of public opinion and public need, and I can see him bolstering himself with the thought and the hope that if prosperity would only turn the corner the strong rays of its beneficent sun would bleach the red blood of the people into an indeterminate pink, and the glorious sun of capitalism would save the country again.

I am reminded of my own remarks in my maiden speech when I warned hon. members that the group of seven in this corner of the chamber constituted the real opposition, and I find that to-day the efforts of the government and the Conservative party in opposition are alike directed strenuously towards anything at all which will ease the situation within the ambit of the capitalist system. I say to hon. members that this cannot be done. Chickens can live on a dung heap, but they live there precariously and cannot exist very long. All the people of this Canada of ours cannot rake the ashpits and dungheaps of a slowly dying and defeated capitalist system.

The long, long sufferings of the plundered poor, as Edwin Markham has so very carefully and beautifully expressed it, will not very much longer be tried. They must have relief from the conditions in which they now find themselves. I look in vain in the budget of the Minister of Finance for any ideas which would tend to bring this about. Relief cannot be brought about by any idea such as the promotion of external trade, nor can there be any relief obtained therefrom. The hon. member for Vancouver East (Mr. MacInnis) gave an illustration of conditions in external trade and the defeat of capitalism by its own strength. It would not be amiss at this point to quote from a Japanese trade paper printed in English in Osaka. It is called Japan Trade, and is edited by the Osaka Commercial Museum. I have before me volume 6, No. 10, and at page 44 thereof Mr. Koyata Yamamoto states:

> In the face of the intensified worldwide depression, Japan's export of the industrial products has been exceptionally animated of late. This phase is most salient in the trade of cotton goods which invariably dominate our export list. It is noticeable that the cotton industry in this country, with 9,000,000 spindles, is catering overseas more than Lancashire with as many as 50,000,000 spindles. What accounts for such activity is, after all, the low price, and nothing else.

And again:

> The replacement of old-fashioned machinery with new one of higher efficiency has been conducted in Japan all but recklessly.

I pause here to say that in Vancouver to-day there still lives the man who first imported spindles and looms into Japan, and taught the Japanese how to set them up and make use of them. The article continues.

> In addition, the curtailment of operation agreed upon among the manufacturers as a measure against over supply eventually put old-fashioned, far less efficient machinery out of service, resulting in the substantial enhancement of working efficiency.

And again:

> This is attributable mainly to the use of Japan-made automatic loom, which is the last word in this type of weaving machine in the world, and also this is where Japan's weaving industry holds a higher position than—too high to be put in the same category with—those abroad which are still in the experimental stage as regards the operation of automatic looms.

> In parallel with such elevation of mechanical efficiency, there has taken place a striking increase in the operatives' efficiency, too, as evidenced by the facts which follow.

Then:

> Taking it for granted that the installation of automatic looms is chiefly responsible for such an enormous gain of output in the textile industry, a tangible increase in labour efficiency is likewise a factor.

Hon. members will note that I am picking out the salient points in the article. It continues:

> Apropos, mention should be made of the number of looms which a mill hand can tend in this country. The installation of automatic looms, aided by frequent improvements on them has enabled a mill hand to look after from 30 to 40 looms to-day. This is another advantage

of the cotton industry in Japan over that in other countries where one operative can not tend so many looms. The automatic loom apart, one operative in Japan can take care of 10 ordinary looms while one Indian mill hand can tend only 2.

Again:

In Japan the swingering—

Whatever that word means.

—majority (up to 90 per cent) of the operatives in cotton spinning and weaving mills are unmarried girls, mostly in their teens. Young as they are like this, they are doing just as great a volume of work as, nay, several times more work than, full-fledged men heading their respective families in Europe, America, and elsewhere.... The female operatives in this country need not earn funds on which their families have to live, but only those for their marriage paraphernalia. These female operatives, after two years' service on an average, leave the mills for their respective agrarian communities. In view of this fact, Japan's cotton spinning companies are exempt from paying high wages which are out of keeping with the amount of labour, merely in deference to age. This does not imply that the girl operatives are subjected to hard treatment, but on the contrary, they attend, when free from mill work, the secondary-grade schools established by the companies and have ordinary scholastic lessons, religion, music, etiquette, etc. taught entirely free of charge.

In the days of war boom it required something like 50 yen to spin one bale of 20s yarn, but the cost to-day has been reduced to about half as much, due to the betterment of efficiency as well as to a cut in wages.

This is particularly interesting in our understanding of external trade. We hope to force our industrial products into all countries. The article continues:

Wages, as a rule, never go down in sympathy with the fall in commodity prices, however great it may be. It is hard to lower the wages which the operatives are obtaining at present, but the case of starting-wages is quite another. In Japan, where constant changes are made in the force of mill hands as described already, the reduction of wages was made feasible within a short period.

I submit that the minister has said nothing in his budget speech to indicate how the fundamentally changed conditions in our world can be dealt with. Again he is apparently still quite content to place his faith in the inviolability of gold. With the nations of the world chained about by it they are covertly wondering how they can get the better of it. From a 100 per cent gold basis of security which the best nations were so proud to be able to have, they are now content to admit that a twenty-five per cent coverage is sound and efficient.

I quote from the minister's budget speech, from page 2386 of Hansard:

Moreover, the most important branch of the industry, namely, gold mining, is in the fortunate position of producing a commodity for which the demand appears to be unlimited. In other industries production cannot be speeded up without creating oversupply and breaking the market: In the case of gold, however, overproduction seems under present conditions to be impossible and the price remains fixed at least for long periods of time.

With that statement of the minister I do not agree. A discriminating study of the history of gold and gold movements shows that gold has been definitely divorced from its former impregnable and proud position and is to-day merely an expedient, the future use of which is not by present trade developments definitely determined. We are facing after the next election in the country to the south of us and the probable continuance of the present government in office there, a repegging of the gold content in the dollar at fifty cents, and in consequence an arbitrary fixation of the price of the gold ounce at over $40. I cannot discover that there is anything in the construction of the minister's budget to disclose his awareness of all the unusual conditions facing us or of the definite alternative, inflation, which is being consistently dammed up in the world and is sure to burst upon a money weary world before long. I want here to quote from Skandinaviska Kreditaktiebolaget, a Swedish publication, the April number, page 29, from an article, Monetary Prospects by Professor Gustav Cassel. I pick out pieces here and there to show my point. The article commences:

In view of the lack of real equilibrium in the world monetary system, startling changes may be expected at any time in this sphere. So great is the uncertainty that we cannot scan even the immediate future, and people everywhere are anxiously asking what is going to happen next.

And again:

What is to be expected most immediately is presumably an inflation of the dollar. The monetary supply is extremely abundant, and, what is more, there are possibilities of extending it almost indefinitely, without departing from traditional views regarding gold cover.

Again:

The necessity for doing something to combat unemployment and to relieve agricultural distress is compelling the government—

That is the United States government:

—to involve itself in immense expenditure. But this is not the end of the matter. There is a widespread desire that the government should spend money with the deliberate aim of getting the price level to rise, thus bringing production into full swing. The United States government is indeed trying to combat this undiluted inflationism, but is now and then compelled to make considerable concessions to it.

Again:

And indeed, so long as the budget shows a considerable deficit, the government has no real power to oppose an inflation.

Again:

Thus the probability is that during the present year—

That is this year, 1936:

—we shall witness some reduction in the value of the dollar. There will be two alternatives to consider: on the one hand, a new devaluation, on the other, an inflation with the maintenance of the present gold parity.

Again:

If a country cannot bring its budget into real equilibrium, it cannot in the long run withstand an inflation of the currency, no matter what means are tried.

My final quotation is this:

An inflation in America could not fail to affect the currency position in England.

And, of course, by inference in Canada.

In that country too everything is prepared for a price advance. The country is well provided with means of payment, which could be better utilized than is the case at present. The official financial policy, as formulated at the London conference and in the program of the sterling bloc, aims at a moderate price advance, which must be considered desirable also from the point of view of the combating of unemployment. If such a rise of prices could be attained in harmony with the trend of development in the United States, this would no doubt be viewed with favour in England. The conditions in Sweden are similar, and indeed the sterling bloc in general would gladly join in a moderate price advance promoted by England and the United States jointly.

So that the whole situation is that we are face to face with conditions in our financial system which may change overnight, and there is no evidence, none at all in the construction of the budget or in the inferences to be developed from a study of it, that these matters are in the mind of the government.

Again, the hon. Minister of Finance, while regretting the fact, is still content to accept the burden of interest so that thirty-six per cent of the country's revenue is to be earmarked to that contribution. As I have already said, the distressing claim of interest which, like a canker, eats into every part of the body politic, is in every business, every home, every activity of our lives and must be eradicated. I cited Ruskin a few days ago. Can anyone cast a stone at him? Can anyone cast his efforts aside in preference to those of, say the much quoted Carlyle? Ruskin became conscious of the curse of interest and realizing his assets, he eschewed all interest on his investments and spent capital sums. Thirty-six per cent of our country's revenue absorbed in interest! It is there that the axe must be laid at the root of the tree, and I propose to point this out again and again, for the fact is that interest must go. As I have already said, our personal and social activities will fail whereever in any particular they transgress the laws of nature or, as some say, the laws of God. The squirrel does not get interest on the nuts he stores in the hollows of the tree. The camel does not get interest on the fat he stores in his hump or in the water he stores in the cells of his stomach lining. The butter-tailed sheep does not get interest on the fat it stores in its tail. I can discover nothing to justify humanity in prostrating itself before the Juggernaut of interest, that Juggernaut which humanity itself has so laboriously constructed. Interest must go.

Again, I see very little sympathy between the recent trade agreement with the United States and this budget; they do not conform. They have been constructed by minds which have very little in common, for otherwise the minister would stand absolutely condemned for giving with one hand and taking away with the other. I consider the increase in the sales tax an oppression of the poor of the country. I notice in the newspapers that the leading merchants of Ottawa and district, speaking last Saturday of the budget and this sales tax in particular, said that it would not bother them; that they could take it in their stride and still preserve the status quo. If that is correct, it shows a situation that needs investigation, but I cannot think it is true. I am satisfied that the raising of money by this increase in the sales tax is an added burden on the wage earners of Canada. But more important than all else is the awful burden of debt. Year after year big business escapes its just share of taxation. By one plea after another, by one threat after another those who have encourage the government to take from those who have not. The freedom of the big business man from his relative share of the public obligations has continued so long as to develop a condition of immunity which has been very strongly reflected in this budget. There is not a plutocrat in the country who can quarrel with the Minister of Finance in his sublime capitalist effort. But that will not bring prosperity to Canada; it will not reduce our national debt. That can come only by the government inserting itself between the big business man and the successful gouges by which he achieves his wealth. It will come only by a forthright effort to compel the abundantly wealthy to

tighten the traces when pulling this country out of the slough of despond in which we find it.

A plea was made earlier in the session for pensions for the blind of the dominion. This plea was refused on grounds of budget necessity, but in view of the acceptance of a probable loss in budgeting of $100,000,000, I am still quite unable to see why the blind should not be permitted to realize some satisfaction entering into their lives even during this session. Apart from all these large issues I cannot sit down without drawing attention to the plight of the small fruit and vegetable farmers all over the country already labouring under the physical disadvantages of a colder climate than that of their competitors to the south. They are having the salt rubbed into their wounds with no possible signs of relief. I commend that thought to the Minister of Finance.

Miss AGNES C. MACPHAIL (Grey-Bruce): In beginning I sincerely wish to congratulate the Minister of Finance (Mr. Dunning) upon his budget address delivered on the first of May. It was a pleasing address, interesting in its content and construction, in the beauty and simplicity of its language, and in its forceful and agreeable delivery. Though it lasted two and a half hours the Minister of Finance held the attention of the whole house for that long time. He must have found it an exhausting task, but it was certainly one which was exceedingly well performed.

I find that all budgets are alike in this, that each contains some things which one likes and some things which one does not like. If you vote for a budget you are voting for some things with which you do not agree, and if you vote against it you are voting against some things with which you do agree. It seems impossible, therefore, to avoid that dilemma. I felt that the hon. member for Rosetown-Biggar (Mr. Coldwell) expressed my thought almost perfectly this afternoon and there is no use in going over it again in detail. There were in the budget things which anyone representing an agricultural constituency would be pleased with, but I could not be pleased over the eight per cent sales tax. I am opposed to the sales tax because it taxes most heavily those who spend their entire income on consumptive goods, while those who spend only a very small portion of their income on such goods pay a relatively small sales tax.

Then, too, I am unorthodox in the matter of balancing budgets. In times when individuals cannot borrow and when individuals cannot spend, governments must borrow and governments must spend. I do not say that governments ought to borrow, but under the present financial system they must and they do. The balancing of the budget is not by any means as important as it is generally thought to be, because the payment of sums of money without which it will not balance, would undoubtedly in practice divert large sums of money into already bulging pockets. For, as I said a moment ago, there are people, many of them bondholders, who do not spend their incomes in order to live; and since, as has been stated in this house, I believe, thousands of times, a loan creates a deposit and the repayment of a loan destroys a deposit, the balancing of the budget might conceivably destroy a portion at any rate and possibly a large portion of the $162,000,000 by which the budget does not balance. In other words, it would, as the Minister of Finance admitted, tend to cause severe deflation. I believe there are a great many people both in the house and outside who still think that governments should act like individuals and should not spend, particularly in a time of depression. I hold the other view, that in times of depression governments should spend, in order to make up the amount which individuals cannot spend; and in good times, when individuals can spend, governments should curtail their expenditures.

We have heard a lot, particularly in this debate, about the need of a change in the financial system. I enjoyed very much this evening the speech made by the hon. member for Kootenay East (Mr. Stevens). I have enjoyed, too, other speeches during this debate which have related to money. A large number of Canadians—not yet a majority, but an increasing number—believe that a change in the financial system is necessary; that we shall come to base our credit and currency upon real wealth; that it will be issued in the first place by a federal authority—possibly the Bank of Canada when it becomes a government bank—without interest, and that we shall benefit largely from it in one way or another. I suggest that one method of using a government issue of money, which could well be considered under such a system, would be the cutting of farm mortgages in two and reimbursing the creditors by the issue of non-interest bearing bonds.

Since the Liberals came into power with such a very large majority, there has been a tendency rather to scoff at monetary reform. If a certain newspaper story is to be believed, pressure is being brought to bear upon two Liberal members who have done great service

to the party and to the country by the speeches they have made this session in the house. That, during the campaign, other Liberals talked similarly, this little pamphlet shows. It was issued by the Parkdale Liberal Association during the campaign, and it is really a very intelligent production. It states:

At present the privately owned banking system of Canada has the exclusive right to manufacture money (bank credit and currency are both money).

The Liberal party proposes to take this exclusive right away from the banking system and give it to the federal government.

And then the candidate goes on to say:

I agree with the Hon. J. L. Ralston, who says that he does not favour universal public ownership, but that the control of currency and credit is properly a public utility and should be operated as such.

I feel that I must take time to put on Hansard one or two other paragraphs:

The banking system manufactures "money" just as definitely as Massey-Harris manufacture ploughs.

Apparently that is not going to be very definitely.

But they do not "sell" this money—(and they certainly do not give it away)—but what they really do is to rent it and they call the rent "interest."

It goes on:

Now, if the government can authorize private banks to create money, why can the government not create money itself?

For a long time I have been looking for an answer to that question. Then the pamphlet says:

This is what the Rt. Hon. Mackenzie King means when he says:—

"Usury once in control will wreck any nation. Until the control of currency and credit is restored to government and recognized as its most conspicuous and most sacred responsibility, all talk of the sovereignty of parliament and of democracy is idle and futile."

That is very good. At the bottom of the next page they say, in red letters:

What Difference?

The difference between banker and national control of the creation of money is briefly this:—Under banker control the bank creates money and rents it to the government. Under government control the government creates its own money and pays rent to nobody.

Then the names of certain people are given. I quote:

In a pamphlet this size one can only scratch the surface of this all-important, all-embracing subject. There is no other subject of such vital importance to the happiness and well-being of 95 per cent of the Canadian people. It is being stressed by an imposing list of people, among whom I mention—

Right Hon. W. L. Mackenzie King.
Hon. Mitchell F. Hepburn.



Ian MacKenzie.
Hon. J. L. Ralston.
G. G. McGeer.
Harry Hallatt.
Major Douglas.
Father Coughlin.
The Dean of Canterbury.
The Archbishop of York—

Mr. JACOBS: May I ask my hon. friend, is the name of Haile Selassie also attached to it?

Miss MACPHAIL: No, Haile Selassie has escaped.

—and a host of others including the financial editor of one of the most prominent dailies in Canada, F. B. Housser, of the Toronto Daily Star.

There is much more. I recommend the pamphlet to the Liberal party for study. It is an interesting production, and if the Liberals intend to go as far as this pamphlet says they will go, I see no reason why we should not have some more excellent speeches by the hon. member for Vancouver-Burrard (Mr. McGeer) and the hon. member for Rosthern (Mr. Tucker).

I want to speak on only one other matter, and that is the agricultural situation. My remarks apply particularly to Ontario, since I know conditions there better than in other provinces. I notice that the Finance minister in his speech regretted that the condition of agriculture had not improved as the condition of some other industries had. Last evening I looked up current prices of leading products of Ontario farms on which mixed farming is engaged in, for this year, for 1935, and for 1934, on the Tuesday that came closest to May 6, and I found to my disappointment that prices this year are well below prices last year, except in respect of hogs. May I give them to the house? Cattle, heavy: 1934, from $6 to $6.25 a hundred pounds; 1935, $6 to $7.50; 1936, $4.50 to $5.25. Butcher, 1934; $4.75 to $5.50; 1935, $6 to $6.50; 1936, $4.75 to $5. Common: 1934, $4.25; 1935, $4.50; 1936, $4. For calves the prices were just about the same; for choice the prices were the same all the way across, and for medium, from $5 to $6 in 1934, and $4.75 in 1936. Hogs were higher, running from $7.50 in 1934 to $8.50 in 1935 and $8 in 1936, less than last year but more than 1934. Butter was the same as 1934, well below last year. Number 1: 1934, 19¼ cents; 1935, 23 cents; 1936, 20 cents. Cheese, to the country shipper: 1934, varying from 9¾ cents to 10½ cents; 1935, 10½ cents; 1936, 10 cents. Eggs, top: 20 cents in 1934; 20 cents in 1935, and 21 and 20 cents in 1936. That was one cent better.

These figures, disquieting as they are, bear out the experience I have had on the boards of two cooperative companies. One was a small local company, and we found that for the months of January, February and March, although the number of customers was steady, or, if anything, had increased, the volume of business went down noticeably. In a much larger cooperative company we found the same thing to be true, that while we believed the number of customers was as many, and the general manager assured us there were more, the volume of business had gone down noticeably. So I would say seriously, and certainly with no joy, to the Finance minister, that in budgeting for next year I think he can reckon on a lessened consuming power on the part of the farmers of Ontario. That may or may not apply to western Canada.

Agriculture is suffering more, I think, than anyone not connected with it knows. The farmers are suffering because they are working very hard. Farmers work desperately hard, and though there are so many unemployed it is with difficulty that they can secure help. Even if they can get it they cannot afford to pay reasonably high wages. In various country places I hear that they have difficulty in securing help, and the standard of living for farmers is much too low. They have not those things which we think of even very poor people in the cities having. I obtained some figures from the bureau of statistics yesterday; they have been used in other years, but I do not think these more up to date figures have been quoted this year, showing the great potential market which exists in the farm homes of Canada for all kinds of manufactured goods. In 1931 there were 728,623 farm homes, with a population of 3,289,140. Out of that total number of farm homes 88·3 per cent have not running water in the kitchens; 95 per cent are without running water in bathrooms, to use the language of the bureau of statistics; 67·9 per cent are without telephones, and that percentage would be much greater now because many telephones have come out since 1931; 83·6 per cent are without radios and 89·9 per cent are without electricity or gas. I did not get the figures concerning automobiles, but all this goes to show that the standard of living on the farms is away below what it ought to be for the service the farmers perform, the work they do and the commodities they produce. In the same statement coming from the bureau of statistics the average farm revenue for 1935 is given as $836, out of which the farmer must pay the expenses of farm operation and living costs. There could not be very much luxury maintained on that amount of income for a whole year. When one remembers that not a great deal of the goods used in the farm home is now produced on the farm, the impossibility of bringing about a high standard of living on that income of $836 becomes more apparent.

I feel that the greatest market for goods in Canada consists of these farm homes, the homes of the 1,300,000 people on relief, however many homes they have, and the homes of the low paid workers. These three classes constitute a tremendous potential market for all kinds of goods and services in the Dominion of Canada, and I feel that we ought to do everything possible to cultivate that market. It is more important, I feel sure, than any export market. Possibly we are thinking too much in terms of trading with other countries instead of in terms of trading needed goods and services within the Canadian nation, among the Canadian people. To-night the hon. member for Kootenay East (Mr. Stevens) said that 95 per cent of farm products other than wheat, apples and cheese was consumed in Canada. Quite likely the hon. member for Kootenay East is right, but in order to be perfectly safe let us say 90 per cent of our farm production with the exception of those three commodities is consumed in Canada, and only 10 per cent is exported. That being so, it seems to me, and has seemed for some time, ridiculous that the prices which farmers receive for the 90 per cent consumed in Canada should be influenced, and one could almost say set, by the price they get for the 10 per cent exported. It is exactly like having the tail wag the dog instead of the dog wag the tail. I do think we are fast coming to the time when we shall see that it is just as reasonable for farmers to have the prices for their products based upon the cost of production, including interest charges and wages for the farmer and those of his family who assist him in production, as it is for manufacturers to base their prices upon the cost of production. If one is fair the other is fair, and I am inclined to think both are fair.

I quite recognize that this cannot be done until we have one hundred per cent organization of agricultural people, possibly on a commodity basis. I voted for the marketing act, and I believe in the marketing act. Just here may I say to the whip of the Liberal party that when he gets all excited over a debate going on for three days he should just cast his mind back to the four weeks during which the Liberals held up the marketing act. If he is not careful the very

likable whip of the Liberal party is going to have apoplexy before the session is over, hustling debates to a close. To proceed, there never was a time when agriculture needed organization more than it does now, and unfortunately the industry is poorly organized at this time. In order to do anything effective towards basing the selling price of farm products upon the cost of production there will have to be one hundred per cent organization of agriculture and there will have to be export and import boards; in other words pretty definite planning of agricultural production and sale, will be necessary and we are coming closer to this all the time.

Before closing, I should like to suggest one other point that, I think, would help agriculture. It is that a good deal of the loss to agriculturists, as is well known to every member of the house, takes place somewhere between the time the goods leave their farms and the time they arrive at the tables of the consumers. Not only is that true; the increased cost to the consumer takes place in the same interval. It will not be so very long before we shall be driven to the construction of cooperative processing plants on a very large scale, with government assistance and direction, or government controlled or owned processing plants, because until agriculture is again able to purchase the goods that are being turned out so rapidly by the machines and until the unemployed and the low paid workers are able to purchase goods there will be no revival of prosperity in Canada. There may be spasmodic upward turns, but they will not last until the mass of the people of Canada are free to use the products and the services which they themselves produce.

Mr. LOUIS P. A. ROBICHAUD (Kent, N.B.): Mr. Speaker, may I crave the indulgence of the house in the few observations that I am about to make in the language better understood by the majority of hon. members. I confess that I do so with some degree of apprehension, inasmuch as I have ventured to make this maiden speech in a tongue not my own. I take the opportunity at the outset sincerely to congratulate the Minister of Finance (Mr. Dunning) upon his able and brilliant exposé of the budget. He has done honour not only to himself but to this house and to the country.

Now, Mr. Speaker, may I be permitted to give some of the impressions of a new member since coming to this house in February. Adverting first to the speech of the right hon. leader of the opposition (Mr. Bennett) on the address, since "a tout seigneur tout honneur," may I be allowed to say, with all deference and respect, that despite the no small admiration aroused in me by his great ability, his masterly handling of the English language, and his brilliancy of delivery, I have not as yet been able to shake off the impression I received at the time that the speech was what I would call a "Bourbon" speech.

Coming to the speech of the hon. member for Kootenay East (Mr. Stevens), may I be allowed to congratulate the hon. member most sincerely upon having, after "walking so long in the valley of the shadow of darkness," at long last seen the light. I like to believe in the sincerity of the hon. member's conversion, but if I may be permitted to say so, instead of leaving the fold and venturing abroad to evangelize and convert the Gentiles, would it not have been the better thing to do for him to remain in the "shepherdy" and with his splendid eloquence and great powers of conviction to apply himself to the role of the leaven to leaven the whole inert mass of his party?

Coming next to the speeches of hon. members of the extreme left, I say I am in accord with many of the sentiments they expressed. We all realize that the world this last five years has been passing through a period of travail, misery and pain. But, may I ask, was there ever anything worth while came to this world except through travail, misery and pain? Mr. Speaker, I believe that an evolution, though, perhaps imperceptible, has been operating not only for the last five years but for the last ten, yes, the last fifteen years, and that the world is gradually shaping for and moving towards a rebirth. But let me warn my hon. friends of the extreme left to be careful not to apply the injection used in such cases prematurely lest it bring about a miscarriage.

I am convinced that the heart of every hon. member is in the right place and goes out to poor suffering humanity. Indeed, I believe it is the same old heart wherever man may be found on the face of the earth, and has been the same in all ages, the same old heart that pulsated in the very breast of the father of mankind; with this difference, however, that to-day man has a more profound knowledge of its intense longings and aspirations. The secret of life as I see it is to acquire a better understanding of such longings and aspirations. Indeed, was it not Socrates who set before man as the highest attainment of human wisdom, to know oneself, in other words, to know in all their intricacies the workings of the human heart?

Here, sir, may I compare the old human heart to a finely cut diamond with innumerable facets and angles, slowly revolving upon itself, and that revolving movement accelerated by the passing of generations and the advent of new civilizations, and may I suggest that with the advent of Christianity a powerful impulse was imparted whereby the full revolution was completed at one stroke?

It is sometimes said that the trouble to-day is that man is living in a new world, but so far has been unable to adapt himself to his new world. But I have a different philosophy. The trouble, sir, is that after a struggle of nineteen centuries' duration man has not yet been able to conquer that world and its ways, and attune it to the vibrating radiations of those new facets and angles of the human heart uncovered by the advent of Christianity. To illustrate: I am sure, Mr. Speaker, that at one time or another you have come into contact with some of those men described in this very house, I believe, as gangsters of high finance. Tell me, sir, as man to man, did you find them very much different from yourself? Yet the moment they enter into their councils of deliberation we are asked to believe that they lose all humane feelings. It is a sad reflection, but can it be that they partake of the nature of the wolf, the lone wolf being very timid and harmless, while the pack wolf is terribly daring and cruel? If that be so, there you have it: the ways of the world versus the human heart.

It has been said in this house that politics is a science. I am not in full agreement with that view. To my mind politics is more an art than a science. It has to do with the heart rather than the head. In this connection I am reminded of an ex-Prime Minister of this country—he is not now a member of this house—to whom I once listened with great intellectual delight. He certainly was and is an intellectual giant, and one could not help being fairly amazed at his power and keenness of mind. He could split a hair in four and pursue the four splits to their bitter ends. But as a politician and a leader of men he was not a success. To be a successful leader of men one has to keep a fairly even balance between head and heart. Let the heart give in too much to the head and we have the type of government with which my hon. friends to my immediate left have afflicted the country in the immediate past. On the other hand let the head give way unduly to the heart and we would have the kind of government that would afflict this country should my hon. friends on our extreme left take the reins of power. So I say with Bobby Burns:

> The heart ay's the part ay
> That makes us right or wrong.

One often hears it said that the government should be run on business lines; that there should be more business men in the house instead of lawyers, doctors and so forth. Well, all I have to say to that is, that badly as the political business of the country has been managed in the past, the good Lord help the country had it been as badly managed, or rather mismanaged, as industrial and financial business has been. We hear on every side how highly developed and efficiently organized industry is to-day. If that is meant to apply to the individual units of industry, I concede. But I feel that industry considered as a whole and as a single entity has not yet learned to walk. That is a strong statement.

We have heard it said in the house that there is many an industry which should never have been established in Canada because it was economically unsound. But on account of vested interests thus created the question was asked: What can we do about it now? What I am concerned with is this: What are we doing to prevent a repetition of the same course of events in the future? Apparently we are doing nothing. But remember, Mr. Speaker, I am not placing the responsibility on parliament; I am placing it where it belongs, on industry itself, for I believe that the greatest incentive to progress is not so much profit and greed as it is vesting people with responsibility and developing in them a due sense of that responsibility. And so I believe the time has arrived for industry to provide itself with a general staff—call it "The national council of industry," or whatever suitable name you wish to give it—and proceed on really scientific lines. It would be the business of that general staff to keep industry informed as to the needs and requirements of their own people and the people of foreign countries, and to keep a sharp eye on racketeers of high and low finance. It would be the business of that general staff to see that no investment is directed to the building up of a unit of industry economically unsound, or to the overbuilding in any given line such as has been done in the paper industry in Canada, or the textile industry of the United States.

In this connection I am reminded of a mission of English business men who two or three years ago made an investigation of the American and Japanese textile industry. What did they report? They reported that the social condition of textile employees in Japan was just about on a par with that of American and English employees, but that with her 9,000,000 spindles Japan produced as much as the United States did with their 31,000,000 spindles. I leave hon. members to draw all

the inescapable conclusions. May I add that thought would have to be given to the advisability or otherwise of giving representation on that council of industry to the other partners interested, namely labour and the consumers.

I am not a prophet, nor indeed the son of a prophet, but may I venture to make a few predictions which I believe, will see their fulfilment in the not far distant future.

First, I see the day when each and every nation will confine itself to converting its own raw materials only into the finished product.

Second, I see the day when the proletarian army will have acquired a much greater mobility than it has to-day and so, like a military army in the field, it will be directable to any needed point on short notice. In view of that I have my doubts as to the wisdom of encouraging members of that army to build and own their own homes. I believe industry should build the homes needed by that army. They could build on a large scale and much more economically than the individuals themselves, to whom such homes would be let at a cost rental.

Third, and as a consequence of predictions numbers one and two, I foresee the day—I may not see it myself, but verily I believe my children will see it—when we shall have free trade throughout the world, preceded of course by an evolutionary stage when geographical economic units will constitute themselves along the line of the dream of the late Aristide Briand for the European nations, and of the fact of the forty-eight states to the south of us.

In the nature of things, this is bound to come about. Does it stand to reason that nations should spend millions and billions of dollars in removing natural obstacles from the channels of trade, and the next moment erect artificial obstacles by way of tariff walls. In this connection it is a consolation to think that the insane frenzy of economic nationalism from which the world is just emerging will have been the most potent factor in bringing about this final desired result.

Fourth, I foresee the day when the net surplus exports of a nation will be paid for directly by the people of that very nation, and be considered as an extension of their own domestic market, instead of the indirect way in which those exports are now paid for, namely by the exporting nation investing the proceeds of that surplus in the country of importation. To-day that is the only way in which such surplus exportation can be paid for, since there is no gold to pay for them and the said exporting nation will not accept any more goods in return. They simply invest the proceeds of the surplus in the country of importation.

Now, as to the remedies, in addition to the ones already suggested. People will say that what we need is inflation or deflation. We have had considerable of that in the various nations of the world since the fatidic year of 1929, but the inflation and deflation which I have in mind are of another sort. They are not so much a monetary inflation and deflation as an inflation of hearts and a deflation of heads.

Again I could say with the Tiger of France, Clemenceau, who at one time could hardly be accused of being a Christian, "If every Christian was a Christian in fact as well as in name, there would no longer be any social question." But that might sound too much like a sermon. So I would prescribe as the proper tonic for our patient, the world, preparatory to the many operations he will have to undergo, just a little more inflation of hearts and a little more deflation of heads.

I am convinced that, I will not say the doctrine, or even the principles of Liberalism, but simply Liberal and democratic philosophy or Liberal and democratic state of mind will provide the best cure for the economic ills of the world. It has been said in the house by the hon. member for Kootenay East (Mr. Stevens) that because of its history and its ancient principles the Liberal party had an opportunity unsurpassed in scope. May I say that there are no ancient principles of the Liberal party. The principles of that party are ever young and living, constantly rejuvenated to suit the times and always abreast in the march of time.

Mr. Speaker, I trust I have not bored you unduly with these vagaries of mine, and in conclusion may I express my deep appreciation to my colleagues and to you for the kindly forbearance and considerate attention which they and you have accorded me.

Mr. J. C. LANDERYOU (Calgary East): Mr. Speaker, our industrial, financial and political leaders assured the people year after year during the depression that we were on our way to better and happier days; that prosperity was just around the corner. At the same time the policy of wage cutting, "tighten your belt," and other policies of economy were introduced. All this has led to a great shrinkage in purchasing power. Prices to farmers for their products fell below the cost of production; credit was withdrawn by financial institutions, and this great reduction to the farmers because of

this decline in the prices of their products has been estimated by Premier Bracken of Manitoba at approximately one billion dollars for a period of four years. This great shrinkage in purchasing power has led to a reduction or restriction in consumption, which in turn has been reflected in the slowing up of factories, adding to the number of the unemployed, and thereby increasing the difficulties of municipal, provincial and federal governments in their financing. It has also increased the burdens upon our taxpayers. If we are going to solve this problem we must restore to the people this lost purchasing power.

The years of the depression have caused the people of this country to make a thorough analysis of our economic system. They are becoming convinced that this policy of "tighten your belt," economize, produce below the cost of production, will not solve the problem. Apparently they realize to-day better than ever before, especially those many millions who gaze at the various articles on display in our so-called stores—I refer to them many times as museums—where people go to see the things they would like to buy if they only had the money, or who look at the catalogues sent to them by the great merchandising corporations in this country, gazing at them as they would at the family album, seeing there the things they would like to buy if they only had the money—the great masses of our people, I repeat, realize to-day better than ever before that they must have restored to them the purchasing power necessary to bring back prosperity. This can be done, I believe, by the use and control of national credit by the government, that national credit to be used in the interest of the people to meet the needs of the people. We hear a great deal these days about sound money. What the people of Canada want is more money and less sound. The farmers want more purchasing power for their production, the worker more for his labour, the fisherman more for his fish, and industry in general requires more for new and greater developments.

We in this part of the house are in favour of sound money; we want sound money. We are not inflationists; we are not deflationists. However we do not believe that money to be sound must be based upon the intrinsic value of gold or silver. We believe that money should be based upon our collective ability to produce real wealth and render service one to another, and that it should actually reflect any increase in our ability to do so. Our wealth should not be measured only in dollars and cents; it should be measured in our volume of goods that are being or can be produced. The link between production and distribution is money or purchasing power, and we must restore purchasing power to the people to do away with these stored up surpluses that we have in the midst of this distress and suffering.

We have another problem, and that is the problem of debt. This problem of debt must be faced. To-day our money and our credit have been used as an instrument to create debt. By the creation of these enormous interest bearing debts this instrument has been used for the purpose of destruction, and we should bend our efforts to the reduction of private and public interest bearing debts. We do not say, repudiate, nor do we say, default, but if the creditor in this country is going to insist upon the pound of flesh from a debtor already reduced to skin and bone there will be left nothing but a skeleton, of little use to the creditor, the debtor himself or his country.

To-day the banks pay lower rates of interest to depositors. The enormous sum of $600,000,000 has been dropped in one year by holders of life insurance policies. Then we have a decline in revenue from real estate properties. I have in mind the memory of those 600,000 men who went overseas prepared to give their lives in a period of national crisis, and now the question is being asked of those who hold the bonds: Just what sacrifice are you prepared to make at this time of national crisis? The people of Canada are awaiting the answer. They insist upon cooperation. I do not blame the municipal or provincial governments to-day who, faced with bankruptcy, faced with the choice of needs of their people or meeting these interest bearing charges, insist upon refunding their obligations at lower rates of interest. Rather I would place the blame or responsibility, if there is any blame or responsibility to be placed, upon the governments that preceded them and borrowed these huge sums of money and spent them as they have done. They are the ones to blame, if there is any blame to be put upon anyone.

From time to time people point with pride to the fact that we have sound money and safe banking institutions. Is it necessary that all classes of society should sustain great losses; that 1,200,000 people should remain on relief; that the farmers of Canada should produce wealth below cost of production? Must people lose their homes and must the conditions of distress now prevailing in the

country continue in order that we may be able to point with pride to the fact that our banks are safe? I believe our banking institutions can remain safe and our money sound and still allow us to solve the problem that faces us. The solution lies in the proper use of the national credit. Many people contend that favourable balances of trade will bring prosperity. The United States has enjoyed favourable trade balances for many years; in fact it is estimated that all told they amount to over $27,000,000,000. Can we truthfully say that the United States is enjoying prosperity? The answer is no. Canada, for the last five years, has enjoyed favourable trade balances, and yet at the same time, as has been pointed out, unemployment has increased. The problem in Canada is to provide out of our natural resources sufficient to saturate the domestic market, creating at the same time a surplus which could be used to exchange those things not naturally produced in Canada, possibly on a quid pro quo basis or goods for goods.

The question has been asked of us in this house: Just what do you mean by control of credit? We do not believe that the purchase of a controlling interest in the central bank is a solution. Changing the ownership of the monetary system will not solve the problem but changing the policy will do something towards bringing about a solution. We believe that credit should be controlled by the three principles advocated by social credit, namely: a just price which will guarantee to labour a just wage for its contribution; a just price to the farmer and all others who provide the raw materials necessary for the production of wealth, and a fair commission to those who own or supervise our industries. We believe also in the continuous flow of credit, which means the circulation of money or purchasing power that can be assured by various methods, especially by the payment of a national dividend to all citizens of the country, assuring them economic security and providing for them at least the bare necessities of life. This would encourage the spending of money and do away with the fear which seems to grip the consumer to-day. Many people neglect to buy to-day the things they need because of fear of economic insecurity which may overtake them to-morrow. The people of Canada want economic security. They do not want the feasts or the famines of the past created by a monetary system, possibly I should say by the uncontrolled, unsupervised manipulation of the monetary system by private individuals, which eminent economists and statesmen declare will chill, check and destroy genuine economic freedom. This question of money has been brought up in the house many times, but apparently the government is not yet prepared to introduce any monetary reforms; at any rate the budget does not disclose any such intention. They still imagine that we can tax our way to prosperity or borrow ourselves out of debt.

We have been referred to as radicals, as leftists, but I contend that we have a sane solution to offer to the people, and I am looking forward to the day when a social credit minister of finance will bring down a budget which will indicate a solution of the many problems that confront the country to-day, problems which some of our leading statesmen declare will bring ruin and disaster to Canada. We see no ruin and disaster to the credit of this country if we will but make use of our national credit. We do not fear the collapse of financial credit as long as the real credit of the country remains intact. As long as we have our great railways running; as long as there are men on the farms; as long as the laws of nature are favourable to the production of goods which we need; as long as we have all the real wealth in the country and the ability to produce, we need not fear anything. The collapse of financial credit is, therefore, not of much concern to us. We say that that which is physically possible will be financially possible under a just monetary system.

Mr. H. E. WILTON (Hamilton West): I wish to congratulate the hon. gentleman who has just spoken (Mr. Landeryou) upon his ideas of old age; I am glad to know he feels that he is going to live to be a very old man. In passing, I noticed in to-day's morning papers that the hon. and might I add charming, lady members of this house can divert their minds from the serious business of unemployment, added taxation and budget overdrafts to the more pleasing study of masculine defects due to lop ears, crooked noses and avoirdupois. Perhaps this interesting analysis of our physical defects may have the subduing effect of shorter speeches and thereby prove of great value in solving the perplexing financial problems which confront us. Perhaps when the members for Grey-Bruce (Miss Macphail) and the Yukon (Mrs. Black) next have their teacups read, a Prince Charming will be revealed. Let us hope for the best.

As an individual member, representing an individual but outstanding constituency, I realize my duty to that constituency, but I also realize my duty in a broader sense to every citizen of Canada, particularly to that important majority known as "the taxpayer."

The outstanding feature of the revised tariff act, according to its supporters, is that it will increase the buying power of the Canadian dollar. Last Saturday, while I was in Hamilton, a hardware merchant of that city showed me a certain article on sale in his store retailing at ten cents. He told me that this article was manufactured in the city of Hamilton and that he purchased it at forty-five cents per dozen. Quite recently representatives of Japanese firms had called upon him and offered him this same article at thirty cents per dozen. The point is this, as he said, "Although I may and probably will buy those Japanese goods at thirty cents per dozen, as against the forty-five cents per dozen asked here, I shall not sell them at less than the price I am selling them at now, so that the only person who will benefit by that will be the retail dealer and not the man who buys to use."

Hamilton, because of its hundreds of large manufacturing concerns, is known far and near as the Pittsburgh of Canada. What will this new reduced tariff act do to that great city? It will decrease employment; it has done so already, and it will increase public relief, which in turn will increase taxation to the already overburdened taxpaying homeowner. Of what use is increased buying power to the man out of work and without money? The reduced tariff on automobiles would imply reduced cost to Canadians, but such is not the case, because the increase in sales tax more than offsets the tariff reduction. Last week I was told by a representative salesman of a large automobile sales concern in Hamilton that the agents of that company had been called in to their head office last Saturday morning and instructed to add $18 to the price of every car they offered for sale. I said to him, "Your cars should sell cheaper, due to the reduction in tariff," and the answer was "They should, had it not been for the sales tax, which more than offsets the reduction in tariff and adds $18 to the price of our car." This is a low priced car.

There is an old saying that nothing is so bad but it might be worse. So, perhaps we should be thankful that the situation is no worse than it is. I do not agree with those who say that we have passed through the worst depression the world has ever known. Ancient history belies the statement. A hundred years ago, yes, and two hundred years ago, the same cry was being made, as is indicated by an extract I have in my hand, taken from the writings of Lord Macaulay Writing in 1830, he speaks of conditions over a century ago, and also makes reference in this essay to a period one hundred years prior to that time:

> The present moment is one of great distress. But how small will that distress appear when we think over the history of the last forty years; a war, compared with which all others sink into insignificance; taxation, such as the most heavily taxed people of former times could not have conceived; a debt larger than all the public debts that ever existed in the world added together; the food of the people studiously rendered dear; the currency imprudently debased, and and imprudently restored. Yet is the country poorer than in 1790? We firmly believe that in spite of all the misgovernment of her rulers—

They were complaining about misgovernment then.

> —she has been almost constantly becoming richer and richer. Now and then there has been a stoppage, now and then a short retrogression; but as to the general tendency there can be no doubt. A single breaker may recede but the tide is evidently coming in.
>
> If we were to prophesy that in the year 1930 a population of fifty millions, better fed, clad, and lodged than the English of our time, will cover these islands—that machines constructed on principles yet undiscovered will be in every house—that our debt vast as it seems to us, will appear trifling to our great-grand-children, many people would think us insane. We prophesy nothing; but this we say: If any person had told the parliament which met after the crash of 1720 that in 1830 the wealth of England would surpass their wildest dreams—stage-coaches would run from London to York in twenty-four hours, that men would be in the habit of sailing without wind, and would be beginning to ride without horses, our ancestors would have given as much credit to the prediction as they gave to "Gulliver's Travels."....
>
> We cannot absolutely prove that those are in error who tell us that society has reached a turning point, that we have seen our best days. But so said all who came before us, and with just as much apparent reason.

So, after all, we find that two hundred years ago, and again one hundred years ago, the same cry we hear to-day was in evidence. Perhaps we may be glad that conditions are no worse than they are. Regardless of tariffs, budgets, politics and pessimists, the great problem of unemployment, public relief and a rapidly increasing national debt will never be solved by the vicious system of borrowing money with which to pay debts. Borrowed money never paid a debt. It simply adds to the burden, and finally finds its way to the tax bill of the homeowner. We reduce national income by reducing tariffs, and adjust the financial loss by increased taxation. This tariff act in its present form will divert Canadian manufacturing concerns to the United States, and put Canadians out of work. The only solution is new, additional sources

of revenue, which I think I referred to a few days ago, other than by direct taxation. If I had in my garden a good crop of potatoes, it would be most ridiculous for me to borrow from my neighbour money with which to go out and purchase potatoes. It would be no more ridiculous, however, than what our governments are doing. With our national back yard filled with gold, silver and valuable minerals of various kinds, we go out and borrow money, leaving our rich mineral deposits in the hands of private concerns to exploit and profit by, while we as a government continue to sink deeper in the mire of borrowed money debts. So long as we continue this kind of thing, this vicious circle of borrowing money with which to pay borrowed money, we shall have no good reason to complain if the lady members of this house refer to us, not only as lop-eared, but as irresponsible incompetents.

On motion of Mr. Rowe (Dufferin) the debate was adjourned.

On motion of Mr. Lapointe (Quebec East) the house adjourned at 10.53 p.m.

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## Friday, May 8, 1936

The house met at three o'clock.

### ELECTIONS AND FRANCHISE

Third report of the special committee on elections and franchise.—Mr. Bothwell.

### CANADIAN RADIO COMMISSION

Hon. ERNEST LAPOINTE (Minister of Justice) moved:

That the name of Mr. Graydon be substituted for that of Mr. Plunkett on the special committee appointed to inquire into the operations of the Canadian Radio Commission and its administration of the Canadian Radio Broadcasting Act of 1932 and amendments, and the regulations made under authority thereof.

Motion agreed to.

### PETITION

Petition from the Canadian Authors' Association with respect to Bill No. 55, to amend the Copyright Act Amendment, 1931.—Mr. Vien.

### CRIMINAL CODE

Mr. T. L. CHURCH (Broadview) moved for leave to introduce Bill No. 60, to amend the criminal code (trial of young persons).

He said: The object of this bill is to provide, on the trial of youths up to nineteen years of age, that their parents, guardians, next of kin or some friend shall be notified and that wherever possible they shall be represented by counsel. I appreciate all that the overworked judges and magistrates are now doing to help this work in the depression. I know too that some of the worst housebreakers we have are of this age. But this bill seeks to help youths of high school age who are not of the criminal class and who travel through the country seeking work. They are being sent down as vagrants, although they have never been in trouble before. Their only offence is that they cannot get a job. This bill will involve little expense, because in the large cities the Lions Club, the Big Brother and Big Sister movement and the various community clubs are doing a great work voluntarily. Here in Ottawa the Lions Club is especially active. The bill is a measure of law reform to help suffering youth who are in need of work and who get into trouble.

Motion agreed to and bill read the first time.

### PRIVATE BILLS

FIRST READING—SENATE BILL

Bill No. 59, respecting Thousand Islands Bridge Company.—Mr. Stewart.

### SUPPLY

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

DEPARTMENT OF NATIONAL DEFENCE

Projects Already Undertaken

Calgary, Alta.—Barracks for permanent force—
Officers' mess and single officers' quarters, $110,000.
Veterinary sick lines, $10,000.
Surfacing permanent roads, $40,000.
Grading, seeding and terracing, $10,000.
Interior fittings, including telephone system, $8,988.
Mess building No. 6, $15,350.
Sewers, $55,005.
Grading landing field, $18,670.
Administration building No. 1, $35,712.
Garage and forage barn, $4,856.40.
Electric underground distribution system, $7,892.
Married officers' quarters, $4,640.
Salaries, wages, architects' fees and travelling, $40,712.
Miscellaneous, $14,941.74.

Mr. STIRLING: Would the minister give the committee some information with regard to this scheme, also whether he is carrying out the scheme as laid down, or with alterations?

Hon. IAN MACKENZIE (Minister of National Defence): This is just carrying out the policy which was laid down a year ago. Of the total sum of $376,000, $261,000 is for commitments and works which were undertaken before the end of the last financial year, and

$115,000 is to carry out work such as grading and seeding which will be consequent upon the completion of the contracts involved in the former amount. If my hon. friend looks at the items under the Public Works department, he will find there another total of $175,000 to carry out other projects which were contemplated a year ago. The entire scheme as first devised in 1934 is not yet carried out. The amount voted in the first estimates was $1,250,000, supplemented by another vote of $400,000 a year afterwards. There are some items in the first scheme which would bring the amount to about $2,500,000 which are not carried out, even under the estimates of this year. It goes a long way towards making the project a composite barracks scheme.

Mr. WILTON: I notice that the first item under "national defence" is $110,000 for barracks at Calgary, followed by various other items which total $376,767 for the city of Calgary. When the original estimates came down I asked the Minister of National Defence if some consideration could be given to the city of Hamilton by providing for the rifle range there, and I was promised then that it would be included in the supplementary estimates which are now before us. I do not see that item in these estimates, and it strikes me as strange that Hamilton, a city more than twice the size of Calgary, cannot get an appropriation of ten or fifteen thousand dollars, when Calgary can get $376,000.

Mr. BENNETT: That is only a small part of it.

Mr. WILTON: It seems to me that if we are going to—

The CHAIRMAN: I do not like to interrupt the hon. member for Hamilton West (Mr. Wilton), but we are discussing a certain item, and discussion should be confined to that item.

Mr. WILTON: May I suggest that I am only using this as an illustration, pointing out that $376,000 is being spent in a city half the size of Hamilton. If I am not in order, all right, but if I am, I should like to continue for just a few moments.

The CHAIRMAN: The hon. member is out of order.

Mr. MACKENZIE (Vancouver): I am quite sympathetic with the hon. member for Hamilton West in what he is advocating. I am well aware of the claims of Hamilton with reference to the rifle range, and I intend as soon as possible to comply with his desire in that regard.

Miss MACPHAIL: Where are you going to get the money?

Mr. MACKENZIE (Vancouver): There is an amendment to be moved with respect to the architects; it applies to architects all over Canada. I will ask the Minister of Justice (Mr. Lapointe) to move it.

Mr. LAPOINTE (Quebec East): I move to amend this item "Salaries, wages, architects' fees and travelling, $40,712," by adding after the word "travelling" the following:

in connection with Calgary barracks and any other works and buildings included in the several votes in these estimates for national defence.

Mr. BENNETT: What is the purpose of the amendment?

Mr. MACKENZIE (Vancouver): The idea is that the amount for architects' fees is not all required at Calgary; it is required for general purposes all over Canada. A specific amount of a little over five thousand dollars is required in respect of Calgary, but this item includes additional amounts and is for general purposes in connection with the department's special supplementary estimates.

Mr. BENNETT: It is not proposed to change the architects who are doing the work?

Mr. MACKENZIE (Vancouver): Not as far as I know.

Mr. DOUGLAS: When this amount for the barracks at Calgary has been spent, what will have been the total amount expended?

Mr. MACKENZIE (Vancouver): Roughly speaking, the amount spent so far, according to a calculation I made the other day, is $1,400,000.

Mr. DOUGLAS: Not including this?

Mr. MACKENZIE (Vancouver): Yes, including this item.

Item as amended agreed to.

Kingston, Ont.—Royal Military College—

South wing to Fort Frederick dormitory and connecting passage to new mess and recreation building, $150,000.

New mess and recreation building—equipment and fittings, $31,600.

Grading, turfing, sidewalks, roads and incidentals, including extras in connection with main contract, $14,039.55.

Miscellaneous, including general repairs to existing buildings and grounds, etc., $10,334.72.

Mr. BENNETT: How much of this is already spent?

Mr. MACKENZIE (Vancouver): The amount of $56,000 is really a revote. The south wing is the natural corollary of the north wing, which was completed last year by the previous government, and the mess.

Item agreed to.

Montreal, P.Q.—armoury for the 17th Duke of York Royal Canadian Hussars, $1,444.24.

Mr. STEWART: Do you not pass the whole of the item?

Mr. MACKENZIE (Vancouver): This is a revote.

Mr. BENNETT: Why a third? Why do we not pass the whole item?

The CHAIRMAN: I understood that two-thirds was passed on supplementary estimates in interim supply. This is for one-third.

Mr. BENNETT: There were some items that made up two-thirds; is that so?

The CHAIRMAN: Yes.

Item agreed to.

Ottawa, Ont.—new photographic building at the Royal Canadian Air Force station, $939.82.

Mr. MACKENZIE (Vancouver): This is also a revote.

Mr. STEWART: Has this building been constructed and the money spent?

Mr. MACKENZIE (Vancouver): All the money has been expended except the amount in question here.

Mr. STEWART: Again the question arises why items such as this should not appear in the regular estimates, and the further point that already it has been voted, and we are therefore voting it twice.

Item agreed to.

Vancouver, B.C.—armoury for Seaforth Highlanders, $19,433.25.

Mr. MACKENZIE (Vancouver): This is in exactly the same category.

Mr. MacNEIL: What is the total expenditure on this project?

Mr. MACKENZIE (Vancouver): The total cost will be about $240,000.

Mr. STEVENS: The building is finished, is it not?

Mr. MACKENZIE (Vancouver): The building is finished and has been unofficially opened; it will be officially opened this year.

Miss MACPHAIL: I recognize that there is no use in protesting against any of these items, but with regard to this one—and the same applies to all—I think there are a lot of things that we as a nation need a great deal more than we need this total vote. For instance, there is this armoury for the Seaforth Highlanders. I will admit that highlanders add to the beauty of the surroundings—

Some hon. MEMBERS: Oh, oh.

Miss MACPHAIL: In kilts, I mean, but as far as being effective in the wars of the future, if they are to be chemical wars and aerial wars, I think in the highland costume they would make excellent targets but would be rather ineffective in any kind of retaliation. This total amount for armouries is quite large. It has been said very often from this corner this session, but it will bear saying again: We could not afford to pension the blind at forty; we cannot find money with which to take care of people who are incapacitated; we cannot find money for a great many useful things, but we can find money for the construction of barracks. It is a very sizable sum of money, at that, and I just want to register my protest. I do think this is money wasted. If we have the money let us spend it sensibly, so that it will help the greatest number of people. Undoubtedly this amount will be voted, but certainly it will not pass with my approval and consent.

Mr. MacINNIS: Did I understand the minister to say that the work represented by this $19,433.25 has been completed?

Mr. MACKENZIE (Vancouver): Yes, the work has been completed. They are still doing some grading, I believe, around the armoury in Vancouver.

Mr. MacINNIS: The question has been asked so often that I suppose there is not much use in asking it again, but why is there a vote in this year's unemployment program covering work already done? I think this is not only deceiving the house; it is deceiving the country as well. They expected the government to bring down an appropriation for the relief of unemployment; a very large sum of money has been mentioned, but now we find that a great deal of the work has been completed already. This was last year's appropriation, not this year's.

Mr. MacNEIL: Would the minister indicate just what activities will be housed in this armoury and what justification there is for such an enormous expenditure in Vancouver at this time?

Mr. MACKENZIE (Vancouver): Of course that immediately raises a question of policy. This armoury was decided upon a year ago, and in my opinion is one of the most necessary in the Dominion of Canada. I have not seen the armoury since it has been completed but I am informed that it is one of the most beautiful buildings in Canada, and the citizens of Vancouver are exceedingly proud of the building as such. Strictly speaking these armouries are not supposed to be used for ordinary purposes, but that rule is relaxed very frequently. Only the other day in the city of Vancouver we were able to have the armoury used for a tremendous motor show, which drew thousands upon thousands of the citizens of Vancouver for five or six days, thereby adding quite substantially to the communal pride of that city. I think these strict regulations could be relaxed very successfully in many cases, to make them available for communal purposes and so on.

In regard to the necessity for armouries, of course that is entirely a question of policy. But as long as we have defence forces in Canada; as long as we are concerned with the essential problem of national security, we must have armouries. My own judgment is that as far as possible we should endeavour to combine the essential purpose of armouries with communal enterprise and have these buildings used for other purposes to a certain extent.

Mr. MacNEIL: Did I understand the minister to say that this armoury will be available for all community endeavours in addition to those he has mentioned? If my recollection serves me aright, when an armoury is requested for charitable purposes or for the use of service organizations of the city usually the association of officers commanding is very reluctant to give consent, complaining that the activities of the militia are interfered with. From my knowledge of the activities of the militia in Vancouver I do not think they are so great as to warrant any reluctance in giving consent in such cases.

Mr. MACKENZIE (Vancouver): My hon. friend is quite correct, that all this must be subject to the necessities of militia training, because the primary function of an armoury is to permit the militia to carry on their training, whatever it may be. As far as possible, however, with the consent of the district officer commanding, they might be used for other purposes, subject to certain conditions.

Mr. BENNETT: I just want to ask the minister what part of this $19,433.25 is unexpended.

Mr. MACKENZIE (Vancouver): It is all committed and I think by now it is practically all payable.

Mr. BENNETT: Then what are we voting it for? The payments have been made as the work has progressed, under the statute of last year. The auditor general cannot pay under this statute that has not been passed, but payments are being made from day to day.

Mr. MACKENZIE (Vancouver): This is the unpaid balance due and owing to the contractors, Smith Bros. and Wilson, on this particular armoury.

Mr. BENNETT: But part of these payments have been made since these estimates were brought in, in one case at least. I do not know whether that is so in this case.

Mr. MACKENZIE (Vancouver): Not in this case.

Mr. MacNEIL: I desire to ask the minister if he would indicate exactly what form of training is carried on in this armoury. Is it confined strictly to military training or is any attention given to the physical development of youth?

Mr. MACKENZIE (Vancouver): No, I think not; I think the training is confined entirely to the militia training as laid down, combined with lectures by company officers and the ordinary processes of militia training.

Mr. MacNEIL: Are any units of the permanent force to be housed in this armoury?

Mr. MACKENZIE (Vancouver): No.

Mr. DUPUIS: I should like to know from the minister how many armouries have been built by the Canadian government in the last five years, and the number in each province.

Mr. MACKENZIE (Vancouver): I am sorry, Mr. Chairman, but I have not those figures under my hand at the present moment. I shall be very glad to secure them and give my hon. friend the information later.

Mr. DUPUIS: Although I am in sympathy with the hon. member for Grey-Bruce (Miss Macphail) in regard to the desirability of spending money for other purposes which are apparently of greater importance, I agree with the minister that it is necessary to build these armouries for national defence and to maintain national peace and order. I am against war, of course, but may I say to the

hon. member for Grey-Bruce that as long as there are misunderstandings among ourselves, such as we noticed yesterday in the judgments rendered upon members of this house, giving rise to jealousy and envy; as long as human nature shows defects and inequalities, it will always be necessary to prepare for war. I say that having in mind that I requested the Minister of National Defence to see that an amount of money be appropriated for the construction of an armoury on the south shore in the district of Montreal. I know he is in sympathy with the project—

Mr. STIRLING: On a point of order, Mr. Chairman, is this more in order than a reference to the rifle range in Hamilton?

The CHAIRMAN: No, the hon. member is out of order, just as was the hon. member for Hamilton (Mr. Wilton).

Mr. DUPUIS: Well, I am glad to be out of order, because otherwise we would not be noticed. I shall try to abide by your decision, sir, and I hope that in the next estimate there will be an appropriate amount for the citizens of my district.

Mr. MacNEIL: The minister I hope will bear with me in questioning this item. Request has been made frequently for funds to be appropriated for other purposes. The minister may take pride in the construction of this armoury, but he will agree that it is impossible to take pride in the housing conditions in the same area. In my opinion the money would be much better spent on the improvement of housing conditions. I do not see that the activities for which facilities are provided in this building justify the expenditure. I urge the minister for the benefit of hon. members of the committee, to make at this point a frank statement in regard to the policy of his department. A former minister of defence, under whose auspices the project was commenced, stated that these preparations were necessary not so much for national defence as to deal with the possibility of civil disturbance. Disquieting rumours in this regard have been spreading in Vancouver, and I would like some statement from the minister as to the preparations in regard to the possibility of civil disturbance.

Mr. MACKENZIE (Vancouver): I think that question could with more propriety be raised on the general estimates than on these special supplementaries. But I would say at once with reference to the question asked that the policy of the Department of National Defence is concerned with the national security of the Dominion of Canada.

[Mr. Dupuis.]

Mr. CHURCH: The minister may expect the same criticism as was voiced in this house last year. Armouries are necessary in Canada. In the large cities the militia cannot much longer stand things as they are. Officers, non-commissioned officers and men get no pay; they provide funds out of their own pockets for equipment and so forth to operate their unit. They get very little of the money that they used to get under the Militia Act. Since I have been in the house the estimates of this department have come down from $24,000,000 to $13,000,000. This is a revote. The unit concerned is a splendid unit which had a fine record in the war. It was the armed strength of the barons that made magna charta possible, and the same principle holds to-day; the disarmament of the free is the tyrant's opportunity, as we have seen in Ethiopia. We shall have a rude awakening in this country some day. We are dependent on the motherland, the permanent militia is run down, the militia in general run down, the camps are going to pieces, the cadet movement has been destroyed. We would not have been able to take the position we did in 1914 but for the cadet movement. Let me say to the hon. member who spoke before the hon. member for Vancouver North that no province owes more to the protection of the British fleet than the province of Quebec. These armouries are necessary at the present time not only in Vancouver but in every province. Owing to the depression the department has not been able to support the militia. These men in the Seaforth battalion give their services for nothing; many of them are returned men, and they are just as fond of peace and security and just as much opposed to war as are the hon. gentlemen who are opposing this vote, for whom they fought on land and sea and in the air in the last war. They are opposed to war because they were overseas and know what war is, as those of us who stayed at home do not. Yesterday the minister was a hero; he was one of the few that could take it. Yesterday he was a thing of beauty and a joy forever, but to-day it is different; this is wash day.

The CHAIRMAN: Order. Shall the item carry?

Mr. BENNETT: This item and other items of the same kind, I should say to the hon. member for Vancouver North, were included in the public works bills of 1934 and 1935 for two reasons; first, because they were necessary works; second, because they were works that afforded a maximum of a certain type of employment. In all these the proportion of

material and labour was very great. They were scattered over every part of the country.

As far as the Seaforth Highlanders are concerned, I have only this to say: that that armoury had to be built if the unit was to be maintained. The unit has a record of which this country has been justifiably proud. The officers who give their time to this and other units of the kind are spending their own money, whether they be honorary officers or otherwise, and finding themselves at the end of the year much poorer than at the beginning. It must not be forgotten that the foundation of our national effort in this country in 1914 was the militia. These men, these young citizen soldiers, if you call them that, are assuming, by the very terms of their enlistment, the possibility of losing their lives in the defence of law and order in this country. They may be called to do such police duties as are provided for by the act. Surely the country is not so lacking in gratitude to men who thus offer their services for the preservation of our institutions as not to provide them with decent quarters in which to train and make a home for their unit. But the primary object that brought into being these items was the necessity for providing employment, and while so doing completing useful and necessary structures. We spent I believe several weeks on the second branch of that discussion in the years 1934 and 1935, and I think it is only fair to say that the house by a very large majority, including many of those who sat to the left of the Speaker, were satisfied that these were works that afforded a substantial amount of direct employment and an expenditure for material that gave employment in factories and various other industrial undertakings throughout Canada and local work on a large scale. Hon. members were satisfied that these works were a present and urgent necessity if we are to maintain the efficiency and effectiveness of our units of voluntary citizen soldiers that we call our militia. That is the story.

Mr. WOODSWORTH: I think the minister was quite right when he intimated that matters of policy should be discussed on the main estimates rather than on these supplementaries. But since certain remarks have been made by various hon. members, those of us who are in a minority in this house in holding different views can hardly let those remarks pass without at least a word of comment.

The leader of the opposition (Mr. Bennett) has just suggested that those whom he calls these young citizen soldiers who are willing to lay down their lives in police duty are the people who are defending and maintaining the institutions of this country. I dissent decidedly from that point of view. The people who are maintaining the institutions of this country are the ordinary people of the country who are carrying on, living decent lives and trying to provide for the maintenance of our community affairs. If the institutions of this country fail it will be because those in charge of them have failed in their duty of providing for the common people. I do not think there is any section of Canada that holds anarchistic ideas or that wants to tear down, but I do assert that there are limits beyond which no free people can be driven. As we have stated so often, when we have over a million people on relief and large numbers of people who continue to be unemployed year after year, until they become almost desperate and occasionally break out in rioting, I say it is the people who are neglecting to provide work and opportunity who are responsible for any fracas that may occasionally break out.

If we are going to maintain our institutions we shall do so by carrying out the principles for which our institutions should stand. If we are going to depend upon the police to maintain our institutions, a rather popular doctrine to-day I am afraid, then we may as well abandon these institutions. We are a free people. Our forefathers adopted these institutions because through them they expressed their community and national life. In the old days they did not think it necessary to have a group of hirelings, a group of mercenaries to maintain our institutions. Each stood ready to defend our institutions in the very best way, namely by using them to advantage. I regret exceedingly that we have lapsed so easily into the idea that our national institutions have to be defended by force.

I shall not discuss the matter in further detail, but shall make only one or two observations on the point mentioned by the leader of the opposition, that these operations were begun because it was considered they would supply a very considerable amount of work for the unemployed. At the time the suggestion was made, some of us protested against this type of project. In the first place, if we are to have public works, in the old sense in which the term is used, that is public buildings devoted to public service, there are other types that are needed more than barracks. We need places where the great masses of our people in our communities can come together for various community enterprises.

In this city of Ottawa there is one building that is denounced as a disgrace; I refer to

the supreme court building. I should fancy that a dignified home for the Supreme Court of Canada would be more desirable than a great number of barracks erected across the country. That is one suggestion, if we are to have public buildings.

But most of us would go farther than that and say that under conditions existing to-day we do not need public buildings as much as another type of building, namely homes for our people. In my home city of Winnipeg one of these huge public buildings has been erected. Well, it is a fine building; I do not object to it as a building, but I do know a great many owners of private office buildings were not very glad when the new federal building was erected. I know, further, that according to the housing report of the city of Winnipeg there are most abominable housing conditions almost within the shadow of that big federal building. The point I should like to emphasize is that the building of houses for the people would provide just as much work and probably more than would the erection of a building such as the one under discussion. I believe the building of homes would give more work, because a smaller amount of the work is done by machinery used so extensively by contractors on big structures. The building of homes would provide work and at the same time it would provide in large sections of our community a very real and vital need.

A difficulty arises because of the way in which we handle the estimates. They are brought forward and we are asked either to accept or to criticize them. We cannot reject them, but we can criticize them. But there is no way in which we can balance one kind of enterprise against another kind. I may be in favour of this particular kind of building; possibly I should not like to vote it down, in so far as it may provide a certain amount of work. But the only thing we can do is to criticize it as severely as we can, knowing that there are many other works much more vital to the welfare of the community which could be entered upon. The performance of those other works would accomplish the end of providing employment. That is one difficulty in this haphazard departmentalized way of introducing the government's program. We have not any general review of the whole situation.

I should not have made these remarks at this time but would have reserved them until later had it not been that I feel I must protest against the opinion so generally and freely expressed by some people that we must maintain a military establishment.

[Mr. Woodsworth.]

By the way, the hon. member for Broadview (Mr. Church) referred rather slightingly to some of us who remained at home during the last war. I am not a bit ashamed of having remained at home in the last war, although I like a great many others was not in the eligible class. I am not ashamed that I did not go to the front; that is one of the things of which I feel proud. But may I say that in his slighting remarks the hon. member for Broadview included the hon. member for Vancouver North (Mr. MacNeil).

An hon. MEMBER: No, he did not.

Mr. WOODSWORTH: I thought that was done.

Mr. BENNETT: No.

Mr. WOODSWORTH: All I wish to say in passing is that if there is any virtue in having gone to war and having been among the most distinguished there, then my colleague from Vancouver North has that advantage. In the development of our country we have reached the stage where, whether we went to war or stayed at home, we ought surely to be able to express ourselves on matters of national defence without having any slurs cast upon us. Some of us feel that in opposing these military defence estimates we are just as patriotic as any hon. members who propose them. We look at things from a different angle, but as hon. members of the house we think we ought to be in a position frankly to state our position with regard to matters, without being subjected to slurs from any part of the house.

Mr. MacNEIL: In questioning the expenditure I did not intend to cast any slur on the record of the Seaforth Highlanders. I know the record of that regiment, and would not wittingly cast any reflection upon its record or glorious traditions. But may I point out that the men who to-day form the Seaforth Highlanders of Vancouver are not the men who gained glory and distinction for that regiment from 1914 to 1918. I cannot let the occasion pass without reminding hon. members that many of the former members of the Seaforth Highlanders, a regiment which gained glory and distinction on the field of battle, are to-day begging bread in and around the city of Vancouver. We should not overlook that fact.

I rather regret the suggestion that the regiment is now being maintained and housed in the manner suggested strictly for police duty. I cannot believe—

Mr. BENNETT: No one said that.

Mr. MACKENZIE (Vancouver): No, that has not been suggested.

Mr. MacNEIL: I understood it was to maintain law and order.

Mr. BENNETT: The statute covers the matter.

Mr. MacNEIL: I am glad to hear that correction. I should not like to have the suggestion go out that the regiment would be standing to, as it were, waiting for some civil disturbances.

Mr. MACKENZIE (Vancouver): No.

Mr. MacNEIL: I wish to make it clear that I question our readiness to spend money in such large sums merely for the purpose of policing our country when those expenditures should be counterbalanced by even greater expenditures designed to remove the causes of discontent which may lead to disorder. The point I wish to make clear is that it is vastly more important to prevent disorder than to suppress it once an outbreak has occurred.

Item agreed to.

Barriefield, Ont.—Royal Canadian Corps of Signals depot—
Administration building, $75,000.
Barrack block No. 2, $130,000.
Training building, $115,000.
Single officers' building, $100,000.
Sergeants' mess, $40,000.

Mr. BENNETT: How much of that has been spent ?

Mr. MACKENZIE (Vancouver): Only a small amount under the unemployment relief scheme. The work in the first item, providing for an expenditure of $75,000, is well advanced. In connection with the second item only the basement has been completed. Under the third item excavation has been done, while the fourth and fifth items are entirely new.

Mr. BENNETT: Contracts are outstanding for the first three?

Mr. MACKENZIE (Vancouver): There are no contracts outstanding. In connection with the unemployment relief projects certain preliminary work was carried out, but there are no contracts for the main projects which are outlined in this vote.

Item agreed to.

Ottawa, Ontario.—Royal Canadian Air Force station—landplane hangar, $50,000.

Mr. BENNETT: Was this item covered in the last appropriation?

Mr. MACKENZIE (Vancouver): Only the steel framework has been erected to date; the main work is still to be done.

Item agreed to.

Valcartier, P.Q.—dominion arsenal buildings for filling and ammunition groups, $200,000.

Mr. MACKENZIE (Vancouver): This is to provide further funds for the projects already undertaken with regard to the filling and ammunition groups at Valcartier.

Mr. STEWART: How much has been spent on this work?

Mr. MACKENZIE (Vancouver): Altogether $1,605,000 has been spent at Valcartier from relief funds.

Mr. STEWART: Was anything spent last year under the Relief Act and the Public Works Construction Act?

Mr. MACKENZIE (Vancouver): The expenditures already mentioned were made under the Relief Act.

Mr. STEWART: How much was spent last year?

Mr. MACKENZIE (Vancouver): I will get that in a minute for my hon. friend.

Mr. BENNETT: The minister can give that later. We can go on to the next item.

Mr. MacNEIL: Perhaps I could take advantage of this item to ask the minister what progress has been made in compiling the official Canadian history of the war.

Mr. MACKENZIE (Vancouver): That would come under an item in the main estimates dealing with adjustment of war claims but I shall be glad to answer my hon. friend's question now. The first volume of this history will be completed by January 1, 1937. For some time there was some doubt as to which period in the war the first volume would refer to, but it has been decided that that volume will bring the history of the war up to the time of the formation of the Canadian corps as such. The remaining eight volumes cannot be completed more quickly than at the rate of one volume per year. The first volume will be completed next year, and the eight subsequent volumes at the rate of one per year.

Mr. MacINNIS: The minister stated that this work at Valcartier involved expenditures amounting to over a million dollars. Were there any contracts let in connection with this work?

Mr. MACKENZIE (Vancouver): With the possible exception of some steel framework it has been done under the unemployment relief project and other special undertakings.

Mr. MacINNIS: What wages were paid for labour on that work?

Mr. MACKENZIE (Vancouver): In connection with the unemployment relief projects the usual sustenance allowance was paid. Naturally, higher allowances were paid to the supervisory personnel, and wages at regular rates in cases where skilled work was carried out.

Mr. MacINNIS: Am I to understand that most of this work was carried out on a sustenance basis?

Mr. MACKENZIE (Vancouver): Apart from the special work, that is correct.

Mr. MacINNIS: I do not know that there is very much I can say about this except to draw attention to the fact that this country has reached a very inglorious position when its defences have to be carried out on a sustenance basis of food, clothing, shelter and twenty cents per day to the labour employed. Is it any wonder that we have to have an armed force to maintain peace, order and good government? Is there any incentive to people to be interested in good government under conditions of this kind?

Mr. MACKENZIE (Vancouver): That policy will be changed after June 30.

Mr. BENNETT: It is only fair to say that the steel and other technical work was done by men who were paid regular wages. There was a camp there and work had to be provided for the men, if only for exercise purposes. If any of the men in the camp could get a job, they were free to take it. In the meantime they were supplied with food, clothing and shelter. Many of these men came from Montreal and other parts of the province of Quebec; this camp was not in any sense a local camp. The supervisory staff was composed of men well qualified for that purpose, who were paid regular wages. The technical work in connection with the erection of the steel frames was done by men who had a working knowledge of those particular trades. There was no difference between this camp and any other; they were all in the same position.

Mr. MacINNIS: I think there was a considerable difference between the work done here and the work done in other parts of Canada.

[Mr. MacInnis.]

Mr. MACKENZIE (Vancouver): The projects in all the camps were carried on under the Relief Act and by the payment of wages to special labour.

Mr. WOODSWORTH: Apparently the supervisors were paid good wages, as well as the skilled men who had trade unions behind them. These men were able to maintain their wage rates. But why should the unskilled labour be given only sustenance? A few minutes ago we were told that we should recognize the very worthy work being done by certain officers.

Mr. BENNETT: I said officers and men. I do not want any misunderstanding as to that.

Mr. WOODSWORTH: It was said that these men had paid their expenses out of their own pockets, but they were already in receipt of pay, or pensions or other allowances. As the Minister of Finance (Mr. Dunning) told us the other day, the depression was caused largely by the war, so why should we load the dead weight of this burden upon the shoulders of the poor unskilled labourers?

Mr. MACKENZIE (Vancouver): In reply to the question asked by the hon. member for Leeds (Mr. Stewart), I may say that $638,000 were expended last year. I believe that figure is correct, but there may be some slight difference.

Item agreed to.

Quebec, P.Q.—rebuilding city walls, $100,000.

Mr. STIRLING: Will the minister tell us just what sections of the city walls are to be rebuilt under this vote?

Mr. MACKENZIE (Vancouver): These are the old fortification walls of Quebec, not the citadel walls.

Mr. STIRLING: What sections are to be rebuilt?

Mr. MACKENZIE (Vancouver): The walls have been inspected and they have more or less to be reinforced as there are many weak spots.

Mr. WOODSWORTH: Is this a national defence project or is it the preservation of an historical site?

Mr. MACKENZIE (Vancouver): Basically it is to provide employment, but it will also provide much needed protection against accidents.

Mr. BENNETT: It is not the citadel wall?

Mr. MACKENZIE (Vancouver): No, the city walls.

Mr. STEWART: Are these parts of the walls enclosing the citadel which have been turned over to Quebec? On whose property are they located? It looks like a municipal work.

Mr. MACKENZIE (Vancouver): Strictly speaking, it is a combination of relief with a very necessary work.

Mr. STEWART: It is a purely municipal work.

Mr. MACKENZIE (Vancouver): Practically so. The walls have always been looked after by the government.

Mr. BENNETT: This really constitutes a grant to a city.

Mr. STEWART: Was it authorized under the Public Works Construction Act? Where was the authority for it?

Mr. MACKENZIE (Vancouver): It was partly under the unemployment relief project of last year. We devoted $25,000 to it and this is a supplementary vote of $100,000. There are dangerous spots in the walls of the city and for the purpose of preserving life and limb the work is necessary. Moreover it is a good way of giving direct employment to people who are on relief in the city of Quebec.

Mr. STIRLING: The reason I asked the question I did was that a previous piece of work of this sort was a wall which might be called a piece of the citadel wall and a piece of the city wall at the same time. It was in a desperately dangerous condition and an extremely clever bit of work was done by the men in the unemployment relief camp in the taking down of that piece of wall and rebuilding it lest it should fall on the street. I merely wanted to know whether this was intended to carry that same piece of work along towards the harbour.

Mr. MACKENZIE (Vancouver): It is a continuation of the same process.

Item agreed to.

Winnipeg—Fort Osborne barracks—erection of garage, $15,000.

Mr. STEWART: What is the total cost?

Mr. MACKENZIE (Vancouver): The total is $22,970.

Mr. STEWART: I assume the difference between the amount voted here and the $22,000 has already been spent.

Mr. MACKENZIE (Vancouver): Committed.

Mr. STEWART: Has any more than that been spent?

Mr. MACKENZIE (Vancouver): No, that is the total.

Mr. MUTCH: Has the minister been informed that the living quarters of officers and the married quarters in the barracks have been condemned on more than one occasion?

Mr. MACKENZIE (Vancouver): That has been brought to my attention and is receiving consideration.

Item agreed to.

Public buildings generally — improvements, additions and maintenance, $3,126.

Mr. STEWART: Is this the remnant of a larger vote?

Mr. MACKENZIE (Vancouver): It is made up of these items: Painting exterior and interior of Coaticook, Quebec, armoury, $207; Edmonton, Alberta, interior painting, decorating and repairs to Prince of Wales armoury, $590; military buildings generally, repairs and renovations, including amount required to cover closing out of the Public Works Construction Act vote, $2,329, making a total of $3,126, all being a revote of public works construction votes.

Item agreed to.

To provide for expenses in connection with the continuance of unemployment relief projects now organized and conducted for the relief of single homeless men, $2,770,687.

Mr. WOODSWORTH: This evidently contemplates maintenance to a very considerable extent of the relief camps. Will the minister indicate the kind and the location of these projects?

Mr. MACKENZIE (Vancouver): Does the hon. member want the complete list?

Mr. WOODSWORTH: I think we had better have it.

Mr. MACKENZIE (Vancouver): The following is a list of the unemployment relief projects which will be proceeded with as from April 1, 1936:

Nova Scotia:
1 Halifax, N.S.
153 Dartmouth, N.S.

New Brunswick:
2 Cambridge, N.B.
4 Upper Brockway, N.B.
29 Saint John, N.B.
41 Havelock, N.B.
123 Colter's Siding, N.B.
152 Gr. HQ., Saint John, N.B.

Quebec:
5 Mégantic, P.Q.
6 Bishopton, P.Q.
7 Quebec, P.Q.
39 Valcartier, P.Q.
53 St. Johns, P.Q.
Ontario:
8 Diver, Ont.
9 Gillies, Ont.
11 Pagwa, Ont.
12 Nakina, Ont.
13 Kowkash, Ont.
15 Wagaming, Ont.
16 Sioux Lookout, Ont.
17 Amesdale, Ont.
18 Vermilion Bay, Ont.
27 Ottawa Air Station.
28 Trenton, Ont.
30 Camp Borden, Ont.
33 Long Branch, Ont.
35 Gr. HQ., Nakina, Ont.
37 R.M.C., Kingston, Ont.
40 Petawawa, Ont.
42 Barriefield, Ont.
45 Reay, Ont.
47 Gr. HQ., North Bay, Ont.
50 Kapuskasing, Ont.
51 Lac Seul, Ont.
59 N.D.H.Q., Ottawa, Ont.
81 Cranbrook, Ont.
91 Round Lake, Ont.
92 Ramore, Ont.
106 Allanwater, Ont.
109 Kenora, Ont.
112 Savant Lake, Ont.
113 Sunstrum, Ont.
138 Hearst, Ont.
141 Grant, Ont.
144 Lake of Two Rivers, Ont.
146 Killaloe, Ont.
150 Gr. HQ., Killaloe, Ont.
160 Pendleton, Ont.
Manitoba:
19 Whitemouth, Man.
21 Winnipeg, Man.
103 Duck Mountain, Man.
104 HQ. M.D. 10, Winnipeg, Man.
107 Caddy Lake, Man.
110 Shilo, Man.
151 Vivian, Man.
Saskatchewan:
44 Dundurn, Sask.
Alberta:
49 HQ., M.D. 13, Calgary, Alta.
58 Coleman, Alta.
119 Sarcee Camp, Alta.
120 Banff-Calgary, Alta.
121 Edmonton-Jasper, Alta.
122 Frank, Alta.
155 Kananaskis, Alta.
156 Cooking Lake, Alta.
162 Summit, Alta.
British Columbia:
22 Yahk, B.C.
23 Kitchener, B.C.
48 HQ. M.D. 11, Victoria, B.C.
55 Hope-Princeton, B.C.
56 Princeton-Hope, B.C.
57 West Coast Road, B.C.
61 Crow's Nest-Michel, B.C.
63 Long Beach, B.C.
64 Goatfell, B.C.
65 Nelway, B.C.
67 Shoreacres, B.C.
68 Rock Creek-Tadnac, B.C.
70 Gr. HQ., Yahk, B.C.
71 Gr. HQ., Nelson, B.C.
73 Hope-Rosedale, B.C.
74 Agassiz-Harrison, B.C.
75 Esquimalt, B.C.
76 Hope-Boston Bar, B.C.
77 Gr. HQ., Hope, B.C.
78 Gr. HQ., Princeton, B.C.
79 Gr. HQ., Sooke, B.C.
86 Gr. HQ., Spence's Bridge.
95 Gr. HQ., Salmon Arm, B.C.
97 Salmon Arm-S-G., B.C.
98 Roosville, Cutoff, B.C.
102 Revelstoke-Sicamous, B.C.
105 Point Grey, B.C.
108 Boston Bar, B.C.
111 Gr. HQ., Point Grey, B.C.
114 White Rock, B.C.
116 Pender Harbour, B.C.
124 Taghum, B.C.
125 Aldridge, B.C.
128 Dead Man Creek, B.C.
131 Nahun, B.C.
134 North Vancouver, B.C.
149 Rock Creek, B.C.
154 Canal Flats, B.C.
159 Midway, B.C.
157 Oliver, B.C.

Mr. WOODSWORTH: Are all these camps to remain open? These are projects; are there camps connected with them all?

Mr. MACKENZIE (Vancouver): Yes. The men are being gradually taken from these camps for railway purposes, as outlined in the house the other day. My information is that to date 14,276 men are still in the camps, and I believe that about 3,250 are in process of being transferred to railway work.

Mr. WOODSWORTH: How many men will this vote take care of?

Mr. MACKENZIE (Vancouver): The estimate for the vote was prepared on a basis which was computed some time ago by the financial advisers of the departments concerned when we actually had in these camps over 20,000 men. That would leave at least 10,000 men in the camps after the railway labour was all absorbed, and it is purely a matter of estimating what will be necessary to take care of all those who may be left in the camps until June 30 of this year. The estimate may be slightly more than will be required; I cannot say as to that; but it was an estimate made about two months ago, having reference to the number of men then actually in the camps, and allowing for the gradual absorption of about ten thousand of them into railway labour.

Mr. BENNETT: In his last sentence the minister made a statement which, I think, covers and controls the whole thing. In any event, on July 1 they will all be out?

Mr. MACKENZIE (Vancouver): Yes.

Mr. BENNETT: They are no longer to receive the fifty cents a day and food and board and shelter, but the responsibility for them will have to be discharged in some other way than through the relief camps?

Mr. MACKENZIE (Vancouver): That is quite correct.

Mr. STEVENS: I wish to draw attention to one feature of this and preceding votes in this section of the special supplementary estimates. This is the last item of a vote aggregating $4,343,000. Having listened to the explanations given by the minister—and I must say he gave them very frankly and courteously—I am impressed by the thought that a very substantial portion of this money has already been spent, and I imagine that April, the first month of this fiscal year, has increased the amount that has been spent, and that the balance, or most of it, will be absorbed within the next two or three months. The largest item of all will definitely end on June 30. So that it is a fair statement, I think, to say that of this sum of approximately four and a half millions, very little can be said to be a contribution to the solution of our national unemployment problem. We have a total vote of $58,000,000, plus $26,000,000 in grants in aid, or about $84,000,000, which, it is stated, is for the purpose of solving the problem of unemployment. This particular group of items is only an illustration, because the same argument applies in about the same ratio to the other groups of estimates that we have already dealt with. We may therefore be justified in saying that, of this sum of $30,000,000 which is described as "projects already undertaken," a very substantial portion has been spent or will be spent before the end of June in cleaning up projects already entered upon. It follows that the amount provided to meet this overwhelming problem of unemployment is not $80,000,000, as indicated, but a sum very much less than that. I believe that the government must take cognizance of that fact. I am one of those who feel, and I am pretty certain that the minister whose estimates happen to be before us shares in a measure this view, that the problem of unemployment is not going to be solved by these more or less temporary measures. Many of the projects which are indicated in these estimates should be undertaken on a much larger, more definite, and nation-wide scale in order adequately to meet the problem of unemployment. As I have said on other occasions, I pin my faith much more to projects wherein the expenditure can be largely shared by private funds, particularly the one of housing referred to here to-day and so often before. I feel it a duty to direct the attention of the committee, and particularly the attention of the government, to the fact that while the people imagine that some eighty million dollars are being voted, a substantial portion of that sum is either already exhausted, or in the immediate future, before any project of a substantial character can be undertaken, will have been expended.

Mr. EMMERSON: The camp at Havelock, New Brunswick, has been opened up recently. I understood that the government were not going to open up any further camps.

Mr. MACKENZIE (Vancouver): That is quite correct. But some camps in various parts of the country had to be closed down on account of winter conditions and have reopened recently. So far as possible the men employed in those camps were not freshly taken on; they were brought from other camps or other projects. I may say frankly that that fact occasioned in some localities a certain amount of dissatisfaction, where local men were unemployed and could not be taken on, and men were taken from other projects.

Item agreed to.

Other Projects

Extension of Existing Facilities

Trenton, Ont.—Royal Canadian Air Force station—
Single officers building, $160,000.
Married airmen's quarters, $160,000.
Married officers quarters, $110,000.

Mr. BENNETT: This is to complete that unit, I suppose?

Mr. MACKENZIE (Vancouver): Yes. It is just an extension of what has already been done.

Item agreed to.

Ottawa, Ont.—Rockcliffe Air Station, Royal Canadian Air Force—men's barrack building, $160,000.

Mr. DOUGLAS: Are all these projects that have already been begun?

Mr. MACKENZIE (Vancouver): Not exactly. These projects we are dealing with now are the extension or development in certain specified localities of work done in the last three years. In other words, these are the inevitable developments or extensions of projects already undertaken, although this is, actually and strictly speaking, new work.

Mr. STEVENS: Is no portion of this a revote?

Mr. MACKENZIE (Vancouver): No.

Mr. DOUGLAS: That is, it is not unfinished work that is being completed?

Mr. MACKENZIE (Vancouver): In a way it is. It is an unfinished project being extended, not an unfinished project being completed.

Mr. BENNETT: That is putting it a little strongly. It is not necessary to do this in order that other work may be completed; these are completely new undertakings—for instance, at Rockcliffe and at Trenton, but they are necessary if you are going to make completed projects.

Mr. MACKENZIE (Vancouver): In order that the work may be properly completed, these are necessary.

Mr. BENNETT: For instance, there is the work on the armoury at Fredericton, the reconstruction of the roof.

Mr. MACKENZIE (Vancouver): The two ends of the building are in good condition, but it is necessary to reconstruct the central portion.

Mr. DOUGLAS: I did not say anything while the estimates on the uncompleted works were being discussed, because there would be no value in leaving work uncompleted. But these are new works, although they are following out old undertakings. I do not care to enter into a discussion as to whether they are necessary, but it seems to me the matter is one affecting our sense of values, whether these works are more necessary than others upon which an equal amount of money might be spent. A certain limited amount of money has been taken from the people in the form of taxes, and we as the parliament of Canada must decide whether or not one project is more necessary than others. When it comes to voting money for these purposes I desire to register a protest, not because I think these things are unnecessary, but because I think there are other things that are more necessary. All across Canada there are isolated areas, municipalities and small towns, with, for instance, no hospitals, which would be very glad to build by means of federal assistance small ten or twenty bed hospitals and pay back the government over a period of years. Projects of this sort would be of much more value to the community than those we are discussing. For illustration, the city of Ottawa has not a decent auditorium where a large public meeting can be held. It seems to me that this is a challenge not so much to a policy as to our sense of values; whether we consider a vote for a barracks more important than a vote for a hospital, whether we want something that is to be used exclusively for military purposes or on the other hand something that will be of public service. In view of the fact that we are talking now about new work I should like to register my protest against voting money for this, not because it is unnecessary but because in my opinion there are so many other things that are more urgently needed.



Item agreed to.

St. Johns, P.Q.—
Garage at permanent force barracks, $22,000.
Administration building, $100,000.

Mr. DUPUIS: Is this an additional amount to complete work started last year?

Mr. MACKENZIE (Vancouver): It is an extension of the project; it is in exactly the same category as the last vote. This is aditional money to be expended.

Mr. BENNETT: This is not an extension of a new project; it is making good the old buildings that are worn out.

Mr. MACKENZIE (Vancouver): Exactly so.

Item agreed to.

Fredericton, N.B.—armoury—reconstruction, $40,000.

Mr. BENNETT: There was an item in the estimates of the Public Works department providing for part of this work; in fact the contract was almost let, but, as the minister says, I think it was found that the building was in worse condition than was anticipated. I believe this is to make possible complete renovation and complete reconstruction of the building. Is that right?

Mr. MACKENZIE (Vancouver): That is correct.

Item agreed to.

Esquimalt, B.C.—joint service magazine, $125,000.

Mr. STIRLING: What is this and where is it?

Mr. MACKENZIE (Vancouver): This is at Esquimalt. For a number of years past the service magazine there has been con-

demned by the authorities as being very dangerous to the community. It was condemned in 1905, to be precise, by the admiralty experts. It is now located at a place called Cole island, near Esquimalt. It is intended to construct a new joint service magazine to accommodate not only the naval and militia forces but also the air force, so that we shall have a joint service magazine for all three services. Probably my hon. friend saw an item of $75,000 in the main estimates, which is intended for the purchase of land on the mainland in connection with which expropriation proceedings have been commenced. This money is for the preliminary work after the purchase of the land has been completed. The total cost will be in excess of this figure.

Item agreed to.

Esquimalt, B.C. — H.M.C. dockyard — extension of jetty, $20,000.

Mr. MACKENZIE (Vancouver): This is to extend the jetty from three hundred feet to five hundred feet, to provide better accommodation for ships at Esquimalt.

Mr. BENNETT: I recall this matter very clearly. Is it regarded as essential that this work should be done? I remember considering the proposals that came before us, and the question was whether it was absolutely essential in the public interest that there should be such an extension of that jetty as is indicated. If the public interest necessitates it I have nothing further to say, but I remember the circumstances connected with it.

Mr. MACKENZIE (Vancouver): The advice I get from the technical officers, who are responsible, is that this is absolutely necessary and essential work.

Item agreed to.

Prince Rupert, B.C.—increased accommodation at the R.C.N.V.R. headquarters, $7,000.

Mr. BENNETT: What are the particulars?

Mr. MACKENZIE (Vancouver): There is a very effective and efficient unit of the Royal Canadian Naval Volunteer Reserve at Prince Rupert, which is very inadequately housed. This modest sum is to give them proper training quarters.

Mr. BENNETT: It has nothing to do with unemployment, I take it?

Mr. MACKENZIE (Vancouver): Oh, it will help.

Item agreed to.



DEPARTMENT OF RAILWAYS AND CANALS

Deficit of Canadian National Railway Company

Amount not exceeding $39,900,000 to be paid from time to time, under such conditions as the Minister of Finance may prescribe, to the Canadian National Railway Company (hereinafter called "the national company") and to be applied by the national company in payment of the net income deficits arising in the calendar year 1936, including such supplementary contribution to The Intercolonial and Prince Edward Island Railways employees' provident fund as may be necessary to provide for payment in full of monthly allowances under the provisions of The Intercolonial and Prince Edward Island Railways Employees' Provident Fund Act, notwithstanding the limitation contained in section four of the said act, and including such supplementary contribution to the Grand Trunk Railway of Canada superannuation and provident fund as may be necessary to enable payment to be made of monthly allowances under the rules and regulations of the fund. notwithstanding the limitation contained in section thirteen of chapter sixty-five of the statutes of Canada 1874, and including profit and loss but not including non-cash items and interest on dominion government advances, of the National Company or of any other or others of the companies comprised in the Canadian National Railways (as defined in chap. 10 of the statutes of Canada, 1929) or any company controlled by stock ownership or otherwise by any company comprised in the Canadian National Railways or by the National Company in respect of any of the Canadian Government Railways entrusted to the national company, $39,900,000.

Mr. BENNETT: It will be recalled, Mr. Chairman, that the other evening the Minister of Finance (Mr. Dunning) introduced a resolution dealing with a proposed measure anticipating the prospective deficit for 1937. Apparently this is a supplementary estimate which covers that situation.

Hon. C. D. HOWE (Minister of Railways and Canals): The resolution introduced by the Minister of Finance was to cover the estimated capital requirements of the railway. This is to cover the requirements for the operating deficit.

Mr. BENNETT: That is the anticipated deficit?

Mr. HOWE: Yes. I may say that last year they were both included in the one item; that is, the bill introduced by the Minister of Finance provided for accountable advances to be made, and then at the end of the year a supplementary estimate was passed allowing those advances to be charged to the consolidated revenue fund. This year we propose to follow the usual practice and vote the money in advance, just as we do for any other project.

Mr. BENNETT: Then we contemplate a deficit of $39,900,000, as set out in this estimate, and there will be no legislation with respect to this contemplated deficit. This is the estimated cash deficit?

Mr. HOWE: Yes.

Mr. BENNETT: In previous years that was done in the same way; I have looked into the matter since. I think on one or two occasions, owing to the time at which parliament met and for reasons of that kind provision was made for an anticipated deficit before the year was actually ended. Four months of this year have elapsed; we are now in the fifth month, and this is to take care of the estimated cash deficit for the whole twelve months. That is the idea?

Mr. HOWE: Yes, for the calendar year 1936.

Mr. BENNETT: The bill to be introduced by the Minister of Finance deals only with capital expenditures?

Mr. HOWE: Yes, I think that is quite correct.

Mr. BENNETT: The other evening I suggested that we should wait until this estimate came up for consideration. At that time we were considering order No. 30 on the order paper, as follows:

> The house again in committee on the following resolution:
> Resolved, that it is expedient to bring in a measure respecting the Canadian National Railways, to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1936, and to provide for the refunding of certain maturing financial obligations.

That has nothing to do with this at all?

Mr. HOWE: No, that covers only the refunding of capital obligations of 1936.

Mr. BENNETT: Then what we are doing is slightly changing the order of things by introducing into our supplementary estimates in advance a provision to pay $39,000,000, although the Minister of Finance has on the order paper a resolution providing for meeting the expenditures made and indebtedness incurred during the calendar year 1936. I gather from what is said that it is the opinion of the government that it is advisable to anticipate a deficit of $39,000,000 and to vote it although it has not been incurred. It is an admission that there will be a deficit of at least $39,000,000, according to the opinion of the officers of the railway?

Mr. HOWE: Yes.

[Mr. Howe.]

Mr. BENNETT: The discussions that took place as recorded in the minutes with respect to this involved the committee approving of the item, and it was to be sent to the house. To adopt the item now means passing it before the report of the committee has come to the house, although the committee had the matter referred to it.

Sir EUGENE FISET: No; when I submitted the second report I moved concurrence. The sum of $9,600,000 had become due Friday of last week and I explained then that it was in accordance with the wish expressed by the leader of the opposition when the resolution was brought down by the finance minister that this should be submitted to the committee for concurrence by the committee and reported to the house.

Mr. BENNETT: But did the report cover the whole $39,000,000?

Sir EUGENE FISET: Yes, it covered the whole thing. The second report covered the estimate for 1935-36, 1936-37 and the capital commitment of $9,600,000.

Mr. BENNETT: Then this item covers both capital and the contemplated deficit?

Mr. HOWE: No, the bill of the Minister of Finance covers the estimated capital expenditure.

Mr. BENNETT: For 1936?

Mr. HOWE: For 1936, which I believe is some $9,000,000, and this covers the operating deficit. This amount we are voting is for the advance to the railway of sums required to meet operating deficit.

Mr. BENNETT: Well, Mr. Chairman, it is a question always of what the government of the day think is the better course to pursue, particularly the minister—whether or not it is better to contemplate a deficit and provide for it before the time has run out. That is not the usual method employed by corporations in dealing with matters of the kind, because they are not usually free to admit that a deficit is inevitable. But as in this case a deficit must be inevitable I suppose it is just as well to meet it now. The only point I make is whether it is desirable to endeavour to anticipate the exact amount of the deficit. Is it an encouragement to economy and efficiency, or may it possibly result in the theory so long advanced in connection for instance with the purchase of three steamships, "The money is there, we might as well

use it?" May it have that effect? If the minister thinks this is the better and more satisfactory way, obviously he should be given the opportunity to carry his views into effect.

Mr. HOWE: We think it necessary to authorize the advance of moneys to a certain point as was done last year in a finance bill. It is the policy of the government this year, as hon. gentlemen will have noted, to put in the estimates every item that will be expended this year, so that the people may know in advance what may be expected in the way of expenditures. In taking this from the bill and putting it in the estimates, the only purpose is that the people of the country may know what the situation is as affecting the railway.

Mr. STEWART: Is it not a fact that the bill last year disclosed what was expected in that connection?

Mr. HOWE: Yes, I thought I made that clear; it did that. There is no difference in that regard except that this year we are putting it in the estimates, so that if anyone cares to total up the estimates for the fiscal year he will have the whole story.

Mr. STEWART: You are putting it in an estimate which ultimately becomes a bill, whereas last year it was put in a bill by itself.

Mr. HOWE: That is correct.

Mr. STEWART: The minister having been on the railway committee, which has not yet finished its work, recalls that it is probable that this will not be sufficient, in view of the fact that some extraordinary expenditures have been incurred in connection with the removal of snow and flood damage, which I think leaves them about $2,000,000 down on the estimates. Does the minister think that ought to be taken into consideration in this item? At the same time I assume this will be advanced by order in council from time to time as required, as was done last year?

Mr. HOWE: That is correct. While it is true, as developed in the committee, that due to abnormal weather conditions of one sort or another the railway is about $2,000,000 behind the budget at the moment, yet such factors as the size of the wheat harvest next fall will have a great influence on the railway earnings. So that while we are a little down I do not think we should be discouraged at this time.

Mr. STEWART: I did not wish to suggest that I am not entirely favourable to the position of the Canadian National Railways. What I was thinking was that possibly the minister is hampering himself in the amount he is providing. I think it is desirable that the Canadian National Railways should be provided for in these items. If this amount restricts the minister unduly, perhaps we ought to consider increasing it to what now appears to be inevitable. The size of the crop of course depends on circumstances. The minister is optimistic in that respect; we all are, but again it depends on how much moves out of the country.

Mr. HOWE: The railway officers feel that this sum will be sufficient. If disaster comes and more is required it will have to be voted next session as a supplementary for the year 1936.

Mr. BENNETT: Last year by chapter 17 of the statutes of 1935 we dealt with it in this way:

> 4. The Minister of Finance with the approval of the governor in council may make from time to time during the fiscal year 1935-36, accountable advances not exceeding in the aggregate $44,000,000 to the national company out of any unappropriated moneys in the consolidated revenue fund of Canada to be applied by the national company on account of the net income deficits,...

That was short by several millions, and we faced a supplementary estimate. The only point is that there does not seem to be any difference in the result.

Mr. HOWE: Quite right.

Mr. BENNETT: It was done by a separate statute on previous occasions; now it is being put in the estimates. I should like to correct the minister when he says the estimates will show the total expenditures. There is one item of tremendous importance to this country, involving a very large sum and which is a charge against the consolidated revenue fund without an estimate at all, and it was enacted by a previous Liberal government; I refer to the old age pensions. I would like that to get into the mind of the minister and the mind of his Prime Minister, because the province of Quebec now says it is going to adopt old age pensions, and that will immediately change the whole scheme of the Minister of Finance's estimates as he gave them the other day. It is a glaring instance of a charge being made against the consolidated revenue fund without any limitation, or any knowledge being brought home to the minds of the people, to use the language of the minister, that they are liable for that sum of money. In the same way we had the difficulty that arose out of the guarantee of the bonds of the harbour bridge. There was no limitation placed upon the

amount of the bonds of the Montreal harbour bridge that had been guaranteed by the government, and I myself was fiercely attacked the other day because I had not taken action to arrest someone who sold bonds, on the ground that he was alleged to have exceeded parliamentary power by selling guaranteed bonds for $19,000,000 when it was alleged the amount should have been only $6,000,000. As a matter of fact it is an illustration of exactly the same thing. I mention this only because the minister suggested that the people should know about all possible expenditures. He will find that there is one which will amount to several millions about which there is no intimation. Whether or not the method proposed by the minister is better than the method heretofore followed, it has this disadvantage, that whereas it was an accountable advance that was to be made, now it is stated in practically the language of the statute. It is practically a summary of the statute, and of course as my colleague has said it will constitute one of the supply bills and therefore be a statute itself. But whether or not to limit the amount to $39,900,000, in view of the evidence given before the committee that at the end of three months the difference between income and outgo, regardless of all payments for rental for cars or joint terminals, was $76,000, is a matter which will have to be determined between the minister and, I suppose, his new directors of five, who may be able to work that miracle which the trustees, three in number, could not do.

Mr. GREEN: What is the approximate cost of completing the Canadian National hotel in Vancouver?

Mr. HOWE: We are not appropriating anything at this time, but I believe it will cost about $3,000,000 completely to furnish it.

Mr. GREEN: What length of time will be required to put it into operation?

Mr. HOWE: I understand it will be two years.

Mr. GREEN: What is the plan with regard to the hotel? I believe it is the only one of the system which is standing idle at the present time.

Mr. HOWE: I may say that there is no plan at this time. We would like very much to open it, but we do not wish to open it until we are quite sure that it will not add to the losses of the system any more than it does at this time. As soon as we can be sure of that, steps will be taken.

Item agreed to.

[Mr. Bennett.]

To provide for commitments incurred under the authority of section 9, Supplementary Public Works Construction Act, 1935, and that the governor in council may authorize the Minister of Finance to sell or lease the railway equipment so acquired to either or both the Canadian National Railway Company and the Canadian Pacific Railway Company under agreements whereby the railway company or railway companies shall reimburse His Majesty the full amount of the cost of the said equipment with interest except in respect of the first and second years covered by the agreement at a rate to be fixed by the governor in council and that such agreements shall provide that security be furnished to secure and indemnify His Majesty in respect of the debt to His Majesty, $5,303,000.

Mr. HOWE: This was the item under discussion on the last occasion the estimates were considered. It is the balance required of an appropriation of $15,000,000 made under the Public Works Construction Act of 1935 for the purchase of equipment for the railways. The thought was that the government was to purchase this equipment and turn it over to the railways on a rental-purchase basis. This is the balance to complete all payments under the item.

Mr. STEWART: What are the total commitments under these arrangements?

Mr. HOWE: $15,000,000.

Mr. STEWART: The total?

Mr. HOWE: Yes, the total was $15,000,000, and of that $9,697,293 was paid to the end of the fiscal year 1935-36. This appropriation covers the balance of the payments, all of which will be made in the fiscal year 1936-37.

Mr. BENNETT: I think it should be made clear that for lower interest purposes this legislation is merely to enable the country to take the place of the purchasers of equipment securities which were not saleable owing to market conditions abroad. We have always sold Canadian National Railways and Canadian Pacific Railway securities in New York at a very low rate of interest, but under present conditions and having regard to the requirements of the securities act of the United States it was almost impossible for us to contemplate that at this time. The country is merely assuming the position of the purchasers of these securities, in the same way as purchasers previously in New York were buying what are known as equipment trust securities. The equipment which is purchased under the provisions will be properly marked in the same way as all purchases of equipment have been marked in times past, whether for the Pennsylvania, the New York Central or other roads. That is the position. So far as we are concerned, we are paid back our money

with interest at a rate we fixed, in instalments that are provided for. The whole story is that owing to economic conditions the nation has taken the place of security purchasers heretofore in the market for equipment trust certificates. We reserved the right to sell them—at least, that is my memory—if opportunity arose. If there was the usual demand abroad for these securities that there has been in times past we could sell them in the markets in which they have usually been sold, certainly not at a loss and possibly at a profit, having regard to the low rate of interest which prevailed with respect to such investments.

Mr. HOWE: That is correct, except that the interest does not start for two years.

Mr. BENNETT: Yes.

Mr. STEVENS: What is the rate of interest to be charged on this loan?

Mr. HOWE: Does my right hon. friend remember?

Mr. BENNETT: I am not going to make a statement, because my memory alternates between two figures. I should like to be accurate about it. I remember a discussion which took place, and I am not sure what the final rate was.

Mr. HOWE: It is four per cent for the balance.

Mr. STEVENS: What is the rate of interest on equipment bonds of the Canadian National Railways now outstanding?

Mr. HOWE: I think at present we are borrowing on a lower rate; it is about three and a half per cent.

Mr. STEVENS: Yes, that is the rate on your borrowings at the present time. What is the rate of interest on equipment bonds outstanding?

Mr. BENNETT: If the minister would look up a New York paper for the day before yesterday he would find the quotations. They vary, depending upon the rate. Some of them are selling as high as a four and a half per cent basis, and some are selling on a five per cent basis.

Mr. HOWE: I believe I can get the information in a moment or two.

Mr. BENNETT: As a matter of fact the interest rate was fixed slightly higher than it otherwise would have been, having regard to the fact that for the first two years they paid no interest. Perhaps the minister recalls the situation.

Mr. HOWE: Yes, that is correct.

Mr. BENNETT: My colleague points out that on page 28 of the annual report the rates payable are mentioned. The Grand Trunk Western has some 6's; Canadian Northern has some 7's; The Grand Trunk Railway, some 6½'s; The Canadian National some 4½'s; again, the Canadian National with 4½'s; Canadian National 5's; Grand Trunk Western 5's; Central Vermont 5's; Canadian National 4½'s.

Other issues are mentioned in the list on page 28, the lowest there being 3½ per cent first mortgage guaranteed debenture bonds. But that is part of the funded debt, and not the equipment trust issue. The equipment trust issues are as I have indicated. Apparently they comprise in all $44,000,000 outstanding, upon which the interest in 1935 was about $2,000,000.

Mr. HOWE: I have a few later issues. I notice there is one equipment loan at three per cent.

Mr. STEVENS: What is the amount of that?

Mr. HOWE: That expires in 1950, and the amount is $609,000. There is one two per cent three-year bond, $187,000. There is a three per cent three-year bond, $698,000, and a two year bond which expires this year, $114,000. This type of borrowing carries a fairly low rate.

Mr. STEVENS: I am afraid the minister is scarcely fair to the committee in that respect. The reason I asked the question was that the statement had been made that these bonds carried very low rates of interest. I have been over this thing and I know perfectly well that many of these bonds are outstanding at five, six and seven per cent. The figures just quoted show there are some $44,000,000 running from five, six and seven per cent, only a small portion being at four per cent. What is the term of this equipment trust bond?

Mr. HOWE: Fully repayable in instalments by 1950.

Mr. STEVENS: The minister stated a moment ago that these bonds carried very low rates of interest because the rate was only four per cent and there were two years without interest. It is fourteen years to 1950, and two years without interest would not make very much of a reduction. This is a fine class of security. I was curious to know what these six and seven per cent bonds were selling at on the market. I do not think they are quoted in the Montreal Gazette, but I do see Canadian National Railway 5's, 1954,

quoted at 115 and 116. These quotations indicate the value of this class of security. The 4½'s are quoted at 111 and 113. The minister referred a moment ago to rates of 2½ per cent and 3 per cent, and I think it is only fair to point out that these are short term loans. They are similar to government securities and should be obtained at the very lowest rate of interest. Two and a half or three per cent is too high a rate for that class of security. Do any of the $40,000,000 outstanding equipment bonds contain a provision for repayment before maturity?

Mr. HOWE: They are serial bonds issued under the Philadelphia plan, and my understanding is that they are not callable.

Mr. STEVENS: There is no question about that?

Mr. HOWE: No.

Mr. STEVENS: I think it would pay the government to make every possible effort to secure the retirement of these outstanding equipment bonds. There may be some difficulty in doing it, but it is certainly worth the effort. It is the payment of high rates of interest on this class of security that contributes so largely to the deficits of the Canadian National Railways, to which attention is so often drawn. It is my view that the rates of interest charged on these bonds should be just as low as the rates paid by the government itself when it borrows money. I do not think the government should seek to make any money out of these bonds. It strikes me it would be possible to get this money at less than four per cent. It may be said that a fraction of one per cent or one per cent on $5,000,000 would not amount to much, but it is by watching this sort of thing that we are going to reduce the deficit. If accommodation of this kind can be extended to the railway at three per cent, I think it should be done. A definite attempt should be made to buy up the bonds which bear these ridiculously high rates of interest. I do not believe these bonds are guaranteed directly by the government, but the fact that Canadian National Railway bonds are outstanding and carrying rates of interest of six and seven per cent is a challenge to the government to make every conceivable effort to bring about their retirement. All these issues should be examined to see whether it is possible to buy them up.

I have not been a member of the railways and shipping committee for some years, but when I was I believe there was a provision in the equipment trust bonds for retirement before maturity. Apparently I am mistaken in that, but the minister does not seem to be quite certain himself. He has not the information before him, and as the matter is so important I urge that these issues be carefully examined with a view to ascertaining whether or not it is possible to retire some of those which bear the higher rates. An attempt should be made to bring them within the range of present day rates, and they should bear the best rate the government itself can secure, possibly around three per cent. In regard to the year and a half or two year issues, these in my opinion might well be carried by the government in the form of treasury bills. Two and a half or three per cent is a pretty high rate to pay to-day for a two year term paper.

Mr. STEWART: If the minister will look at page 28, I think we can give the hon. member for Kootenay East some of the information he seeks. The 6 per cent series, Grand Trunk Western, was issued on January 15, 1920, and apparently matured on January 15, 1935. That would be included in last year's statement. As regards the 7 per cent Canadian Northern, the date of issue is May 1, 1920, and it matures on May 1, 1935. I suppose these were paid on time, because in the adjoining column, under principal outstanding at December 1, 1935, there is a blank. The 6½ per cent Grand Trunk, issued on February 1, 1921, matures on February 1, 1936, so that would be retired this year. From that time on there are 4½ per cent, 4½ per cent and then 5 per cent Canadian National series issued May 1, 1929, due May 1, 1944; another 5 per cent Grand Trunk Western, issued December 14, 1929, due in 1944; 5 per cent Central Vermont, issued December 14, 1929, due in 1944; and 4½ per cent—the last issue—Canadian National, issued June 1, 1930, due in 1945. That is as I read the statement.

Mr. HOWE: That is correct.

Mr. BENNETT: There is, of course, no comparison between the funded debt of a company and its securities, issued under the Philadelphia plan or otherwise. Page 28 of the Canadian National Railways report for 1935 makes that quite clear. Issues that sell at 112 are the funded debt of the corporation. Its equipment trust certificates, which are serials, are dealt with, not on the basis of a yield or payment of so much interest but on the basis of how much per $100 they will realize. They do it the converse way. We say interest at 4½ per cent, so and so; they say it is to yield such and such a rate, and it is the rate yield which they pay and on which the certificates are bought and sold on

the market. So far as 4½ per cent and other rates charged are concerned, these were the rates negotiated by the companies themselves without reference to the government, because the security for the loan was the equipment. The government does not guarantee. The security is the equipment itself, and on each piece of equipment there is a metal strip indicating that the particular piece of equipment is the property of the trust company, that is to say, the trustee under the arrangement under which the equipment is bought. So far as the 4 per cent rate is concerned, it is a lower rate than the railway negotiated for any of its securities prior to 1930. In 1930 the last negotiation for equipment made by the Canadian National was the L series, 4½ per cent, the date of issue being June 1, 1930, and date of maturity June 1, 1945, and the principal outstanding December 31, 1935, was $10,500,000, the interest being $492,187.50. The lessening of the interest for two years meant, of course, two years' interest on the entire $15,000,000, because the serials did not begin to be paid until the transaction was completed. Then they would have free interest for two years; and that, of course, reduced the rate below 4 per cent, a lower rate than they could secure on their own if they went on the market. Neither of our railways was able to sell equipment trust securities. The Canadian Pacific Railway is registered under the Securities Act, but the Canadian National is not, or was not until recently, although before the late government went out of office the dominion government did register under the provisions of that act. Efforts were made to register the Canadian National, but I do not think this has yet been done.

Mr. HOWE: Yes; we sold some bonds a short time ago.

Mr. BENNETT: The requirements were onerous. The information which was required involved a vast amount of detail. When the dominion government secured its authority to go on to the American market it had to supply information going back to very early days and brought down to date, and in the case of the Canadian National a considerable amount of information was called for. At the time we made this arrangement with the railways it was the only method which was available at the moment to enable them to get the equipment. They were not so anxious about getting the equipment as we were to afford employment, which was the primary purpose for which this action was taken. The primary purpose behind this effort was to give employment to a class of men who were and had been idle for years, except for such work as they had obtained in consequence of government orders in Hamilton, in Montreal, in New Glasgow, Nova Scotia, and possibly in some other town, as well as in the shops at Point St. Charles and one of the western shops and the shops at Angus, Montreal. That was the purpose of this arrangement and it is limited to $15,000,000. So far as the arrangement can possibly be said to be a governmental one, it is based upon negotiations which the railways themselves made and which were regarded as exceedingly reasonable, because it is not limited to the Canadian National. The Canadian Pacific received—

Mr. HOWE: Seven million dollars.

Mr. BENNETT: And the Canadian National eight million dollars. The arrangement was made after a good deal of negotiation and the rate fixed, having regard to the period of time for which no interest was paid, was regarded as very fair.

Mr. STEVENS: I should not like to leave the impression that I am criticizing the item. I am entirely in favour of the action taken, of making a loan of $15,000,000; I think it is perfectly sound. I still press this point, however, that where we are making loans to railways or anywhere else it is desirable to get the interest rates down to the lowest possible level, because this will have an influence on the general rate of interest. I know there are two schools of thought on the question of lowering interest rates, but I am deeply impressed with the effect of the burden of debt, whether public or corporate or private. So great is it that we must take every possible means and seize every opportunity to reduce that burden, and the best way in which we can do so if we desire to escape some form of repudiation is to reduce the rate of interest. I have never at any time, in my arguments on financial matters, given countenance to the suggestion of repudiation, but I cannot escape the conviction that we must not overlook any opportunity of beating down the rates of interest on any of these new issues. In regard to these matters in connection with the Canadian Pacific and the Canadian National, if we loan them money we should try to secure the lowest rate possible, in the hope that this will have an influence on the general rate of interest for commerce and industry throughout the country as a whole.

Item agreed to.

DEPARTMENT OF PUBLIC WORKS

Projects Already Undertaken—Public Buildings

Nova Scotia

Amherst—new public building, $26,500.
Halifax—new public building, $901,000.
Mahone Bay—public building, $2,000.
Shelburne public building — repairs and improvements, $4,000.

Hon. P. J. A. CARDIN (Minister of Public Works): This item covers expenditures in Nova Scotia, on projects already undertaken in that province.

Mr. STEWART: These items, four in number, will all be found in the schedule to the Public Works Construction Act of 1934 or, possibly, some supplementary contributions in the act of 1935. That brings up again the same point, as to why we are here voting money which we have already voted and appropriated to a particular purpose, respecting items already allocated and gone over in detail. I wonder whether the minister can throw any additional light on that unusual and confusing situation. So far I have not been able to get much light.

Mr. CARDIN: I cannot say much more than was said on the subject when it was previously discussed. Of course the only justification would be to give a little more detail as to the expenditure.

Mr. STEWART: The details were given in the first instance in respect to each building. I assume these items are amounts still to be expended; is that right?

Mr. CARDIN: Yes, exactly.

Item agreed to.

New Brunswick

Centreville—customs building on boundary, $12,160.
Fredericton — entomological laboratories, $8,000.
Moncton—public building, $44,500.
St. Stephen—building for customs and immigration purposes, $137,000.

Mr. CARDIN: This is for New Brunswick, and the same explanation applies. It covers projects already undertaken, already under way, and authorized under the Public Works Construction Act.

Mr. STEWART: Am I right in supposing that the sums here appropriated are to cover the balance which is required to complete the work, the balance of the original items which had not been expended prior to the time that this estimate was made up?

Mr. CARDIN: Exactly.

[Mr. Stevens.]

Mr. STIRLING: Would the minister be without money required if this were not passed?

Mr. CARDIN: Yes, unless we took advantage of the Public Works Construction Acts of 1934 and 1935.

Mr. BENNETT: It is under the Public Works Construction Act that all payments have been approved by the auditor general.

Item agreed to.

Quebec

Brownsburg—public building, $12,000.
Cantic — building for immigration and customs purposes, $16,500.
Coaticook public building — addition and improvements, $8,500.
Farnham—public building, $68,000.
Montreal—public building, addition and alterations, $540,000.
Montreal—postal terminal building, $430,000.
Quebec West—public building, $11,500.
Rouyn—public building, $10,000.
Valois—public building, $5,000.

Mr. CARDIN: The same explanation applies to this item.

Mr. STEWART: As we go on, would the minister be good enough, if the circumstances are different from those he has explained, to call the fact to the attention of the committee? I am not in a very good position to oppose these items, having put them through the house, and this being the balance required to complete the work on buildings which were authorized under the Public Works Construction Act. If that is true all the way through I have not much to say about them.

Item agreed to.

Ontario

Blackwell—onion warehouse, $14,250.
Bradford—public building, $11,500.
Cobalt—public building, $54,000.
Cochrane—public building, $54,000.
Fort William—public building, $4,000.
Galt—public building, $40,000.
Guelph—new public building, $23,000.
Guelph—public building, $30,000.
Hamilton—public building, $715,000.
London—public building, $445,000.
New Toronto—public building, $8,000.
Ottawa—central experimental farm—administration building, $33,000.
Ottawa—central experimental farm—storage building (cereal division), $1,500.
Ottawa — National Research buildings — improvements, $57,500.
Ottawa—postal terminal building, $410,000.
Ottawa—record storage building, $450,000.
Ottawa—Justice building, $525,000.
Ottawa—Royal Canadian Mint, $83,000.
St. Catharines — public building — additions and alterations, $13,000.

Thorold—public building, $3,500.
Toronto—new postal station "D," $29,000.
Toronto—customs building, $75,000.
Trenton — public building — alterations and additions, $4,000.

Mr. BENNETT: It is always pleasing to have hon. gentlemen opposite supporting what they so vehemently opposed a year ago.

Mr. CARDIN: We live and learn.

Item agreed to.

British Columbia

Huntingdon—building for immigration and customs purposes, $4,500.
Pacific highway—building for customs and immigration purposes, $29,000.
Vancouver—public building, $960,000.
Vernon — public building — alterations and improvements, $3,500—Total, $997,000.

Mr. BARBER: I understand that this building at Huntingdon, British Columbia, was completed some time ago. Does that mean that this amount is still due by way of payment?

Mr. CARDIN: This amount of $4,500 is to provide for the fittings in the building.

Mr. BARBER: What is the total cost?

Mr. CARDIN: The probable total cost is $19,000.

Item agreed to.

HARBOURS AND RIVERS

Nova Scotia

Avonport—repairs to roadway and wharf, $2,500.
Barrington passage—wharf repairs, $600.
Big Island (Merigamish)—wharf, $800.
Boulardarie Centre—repairs to wharf and road approach, $600.
Brooklyn—breakwater extension, $40,000.
Brule—wharf repairs, $2,600.
Burke's Head (north Ingonish) — wharf repairs, $7,000.
Carr's Brook—wharf repairs, $4,500.
Chester Ironbound—breakwater, $6,100.
Cheticamp—dredging, $40,000.
Church Point—groynes, $1,600.
Dingwall—dredging, $2,000.
East River—dredging, $30,200.
Finlay Point—dredging, $600.
Five islands—wharf and vessel bed repairs, $3,000.
Flat Mud island—breakwater, $2,300.
Framboise—breakwater, $800.
Iona—wharf repairs, $800.
Jordan ferry—breakwater, $900.
Little Harbour—roadway with cribwork retaining wall, $1,000.
Lockeport—breakwater, $22,000.
Long Pond—dredging, $1,000.
Lower Jordan bay—hand dredging, $700.
Malagash—wharf extension, $6,100.
Neil's Harbour—breakwater repairs, $7,500.
North Ingonish, McLeod's cove—breakwater repairs, $3,400.
Pictou island—dredging, $2,700.
Port Hood—closing northern entrance, $2,200.
Port Medway—breakwater extension, $2,000.
Port Mouton—dredging, $10,500.
Pugwash — wharf extension and repairs, $26,500.
Scotch cove—breakwater repairs, $19,000.
Swin's Point—wharf repairs, $1,000.
Trout cove—breakwater repairs, $1,400.
Wadden's cove—hoisting equipment, $700.
West Advocate — breakwater improvements, $3,000.
Wreck cove—pier, $1,700.
Yarmouth harbour — sweeping, to complete, $1,000.
Purchase of creosoted materials for district No. 1, Halifax, $5,000.
To provide for completion of works already undertaken, the amount allocated to any one work not to exceed $500, $10,000.

Mr. STIRLING: Is that in the same position?

Mr. CARDIN: The same explanation applies.

Item agreed to.

Prince Edward Island

Annandale—wharf repairs, $2,500.
Georgetown—repairs to warehouse flooring, $5,000.
Lower Montague—wharf repairs, $600.
Montague river—dredging, $7,700.
St. Mary's bay—dredging, $25,900.
Rocky point—breakwater repairs, $4,300.
Tignish—beach protection, $800.
To provide for completion of works already undertaken, the amount allocated to any one work not to exceed $500, $1,000.

Mr. CARDIN: The same is true of this item.

Item agreed to.

New Brunswick

Cape Bald—dredging, $5,000.
Escuminac—breakwater extension, $23,100.
Indian island—wharf, $2,700.
St. Thomas (Cocagne bar)—bridge reconstruction, $1,500.
Shippigan—dredging—repairs to dredge No. 4, $1,900.
To provide for completion of works already undertaken, the amount allocated to any one work not to exceed $500, $3,000.

Mr. CARDIN: The explanation is the same

Item agreed to.

Quebec

Anse St. Jean—wharf repairs, $7,600.
Berthierville—dredging, $12,000.
Bonaventure—wharf repairs, $1,500.
Bromptonville — protection work repairs, $1,400.
Cap aux Meules, M.I.—wharf reconstruction and improvements, $81,300.
Cap aux Os (The Gulch)—landing, $3,300.
Chambly basin—protection wall, $21,000.
Châteauguay river—concrete dam, $9,100.
Dundee—dredging, $7,400.
Ferme Neuve—protection work, $2,500.
Grande Rivière—rebuilding wharf, $25,400.

Grand Ruisseau—completion of approach, $2,000.
Ile du Pads—wharf, $800.
Lacolle river—survey and dredging, $7,300.
Laval sur le Lac—dredging, $5,200.
Norton creek—improvements, $3,000.
Petite Rivière au Renard—extension of south jetty, $10,300.
Petite Rivière Est—construction of fishing harbour, $42,000.
Pointe au Pic (Murray Bay)—wharf extension, $1,400.
Portage du Cap—dredging and repairs to sand pump, $1,600.
Richmond—protection wall, $6,500.
Rivière Ouelle—wharf reconstruction, $23,500.
Rivière St. François—dredging, $39,000.
Ruisseau LeBlanc—dredging, $24,000.
St. Barthélémi—dredging, $1,400.
Ste. Anne du Lac—wharf, $2,200.
Ste. Geneviève—dredging, $4,700.
St. Romuald—protection wall, $3,700.
Sorel—dredging, $41,000.
Sorel—repairs to wharf, $11,500.
Tobin—wharf, $12,000.
To provide for completion of works already undertaken, the amount allocated to any one work not to exceed $500, $3,000.

Mr. CARDIN: The same explanation applies. They are all covered by the Public Works Construction Act, 1934 and 1935.

Item agreed to.

Ontario

Byng inlet—dredging, $43,400.
Gananoque—dredging, Clarence street wharf, $3,680.
Green island—dredging, $1,400.
Hudson—construction of scow for aeroplane landing, $710.
Keewatin—wharf reconstruction, $5,660.
Michipicoten river—wharf extension, $2,000.
Parry Sound (two, five and seven mile narrows)—dredging, $12,800.
Penetanguishene—wharf extension, $7,850.
Port Elgin—dredging, $15,000.
Port McDiarmid—breakwater, $13,050.
Rondeau—east pier reconstruction, $4,400.
Sault Ste. Marie—dredging, $6,800.
South Bay mouth—property acquisition and legal services, $980.
Tiffin (Midland)—dredging, $16,000.
Toronto—completion of ship channel walls, $144,000.
Toronto—new dock at marginal way, $149,200.
Toronto—tunnel, $127,800.
To provide for completion of works already undertaken, the amount allocated to any one work not to exceed $500, $3,000.

Mr. CARDIN: The same is true of this item.

Item agreed to.

Manitoba

Dredge Winnipegosis — transferring machinery, $800.
Selkirk—bridge over Red river, $146,000.
Wanipigow river—operation and repairs to dredge "202," $1,900.

[Mr. Cardin.]

To provide for completion of works already undertaken, the amount allocated to any one work not to exceed $500, $1,000.

Mr. CARDIN: The same thing.

Item agreed to.

Saskatchewan

Bridge at Ceepee, $240,000.
Outlook — bridge across the south Saskatchewan river, $186,600.

Mr. CARDIN: The same thing.

Item agreed to.

Alberta

Lac la Biche—breakwater, $3,900.
To provide for completion of works already undertaken, the amount allocated to any one work not to exceed $500, $1,000.

Mr. CARDIN: The same thing.

Item agreed to.

Northwest Territories

Fort Resolution—breakwater wharf extension and repairs, $45,000.
To provide for completion of works already undertaken, the amount allocated to any one work not to exceed $500, $1,000.

Mr. CARDIN: The same thing.

Item agreed to.

Mr. STEWART: "To provide for completion of works already undertaken, the amount allocated to any one work not to exceed $500." That is the new item, is it not, or is it part of the old one? It is carried anyway.

British Columbia

Columbia river narrows — dredge Arrow Lakes—maintenance and operation, $800.
Courtenay river—protection work replacement, $5,700.
Esquimalt dry dock—completion of fill behind wharf, $1,100.
Fraser river—improvements, $211,700.
George harbour—float and approach, $2,500.
Gowland harbour—float and approach, $4,200.
Kelowna—breakwater, $4,000.
Kingcome inlet—float and freight shed, $2,000.
Nanaimo assembly wharf—travelling crane, $27,500.
Naramata—breakwater, $2,500.
New Westminster—fisheries station, $11,500.
Okanagan lake—survey, $1,000.
Port Alberni assembly wharf—improvements, $5,300.
Shalalth—floating landing, $5,200.
Prince Rupert—improvements, $18,400.
Sidney—float extension, $1,000.
Sidney—breakwater repairs, $7,200.
Taku river—improvements, $1,000.
Tachi river—improvement of Grand and Austin rapids, $600.

To provide for completion of works already undertaken, the amount allocated to any one work not to exceed $500, $1,000.

Mr. CARDIN: Projects already undertaken; that is the same.

Mr. TAYLOR (Nanaimo): Has that travelling crane been already supplied to the Nanaimo wharf?

Mr. CARDIN: The contract has been awarded, but the work is not done yet.

Item agreed to.

Generally

Harbours and rivers generally—surveys and inspections in connection with above mentioned works, $31,000.

Mr. CARDIN: The same thing.

Item agreed to.

Miscellaneous—additional staff, $75,000.
To provide for balance required to complete any of the above projects, no new works to be undertaken, $200,000.

Mr. STEWART: This is a special item, is it not, this $75,000?

Mr. CARDIN: I may say that the staff we had under the Public Works Construction Acts of 1934 and 1935 were discharged on March 31, and this item provides for the staff that will be necessary to carry on these undertakings.

Mr. STEWART: Under what item was the staff paid the year before?

Mr. CARDIN: It was paid from the general items, Nos. 9 and 10.

Mr. STEWART: What were the amounts of those items?

Mr. CARDIN: They amounted to $2,400,000 and $4,000,000.

Mr. STEWART: Those were comprehensive items, not just for the staff.

Mr. CARDIN: I am informed that they were general items, including the staff, and that they covered both harbours and rivers and public buildings.

Mr. STEWART: This is the item intended for harbours and rivers?

Mr. CARDIN: This amount covers the expense of an additional staff for public buildings, as well as harbours and rivers. It applies to all projects already undertaken.

Mr. STEWART: It seems to me that the staff should not be large in view of the fact that most of these works have been completed. I do not know exactly what would be the advantage in discharging the whole staff and engaging a new one, but possibly the minister can explain that. I should imagine the old staff would be familiar with the work being carried on, and the new staff would not.

Mr. CARDIN: It is not exactly correct to say that most of the work has been completed. We still have to expend, on projects already undertaken, a total of about $9,000,000.

Mr. STEWART: But the plans must be all prepared and the work under way.

Mr. BENNETT: I think it might be well if the minister would take the committee into his confidence and say that he just got rid of all the employees as of March 31 in order that he might employ those of his own political faith and thereby find it possible to give some realization to the insistent demands of his supporters that provision should be made for them. I had occasion the other day to give the minister some evidence in that connection. Notices were sent out, but on inquiry it would seem that the pressure was too insistent, and the notice had to be made effective at an earlier date than was expected; the poor unfortunates had to leave employment in order that those who had voted right in October last might find employment. If the minister makes that frank statement to the committee I am sure it will be appreciated, because it happens to be in accordance with the facts.

Mr. CARDIN: I am afraid my right hon. friend exaggerates my ability to see things so far in advance. That was not the idea. The idea was to get rid of the staff as of March 31 because we did not want to continue in effect the Public Works Construction Acts of 1934 and 1935; we wanted to have all the items listed in the estimates. I assure my right hon. friend that any request or representation he might make will receive my most careful consideration.

Mr. BENNETT: Any representations I make to the Minister of Public Works are always received with the courtesy which is characteristic of him. He always gives them his best consideration, and the suavity with which he expresses his opinion is equalled only by his ability to forget that consideration does not necessarily mean to-day or to-morrow. It may mean some time in the long, long future. It is amazing how this consideration seems to get lost on the road, but there is always the most courteous reply, always the greatest possible assurance of consideration. Alas, consideration is so long

delayed that very often the unfortunate person concerned becomes the subject of the funeral sermon of the minister, the parson or the clergyman, and serious consideration becomes a matter of post mortem instead of an interest in the welfare of an individual.

Seriously, however, what happened was that the department gave notice to those who were employed under the Public Works Construction Acts of 1934 and 1935 that inasmuch as probably there would be no money after March 31 their services would be dispensed with at that time. But, alas and alack, some of them had to go at the end of December, 1935. I recall some with two letters, one from their chief giving them notice that their services would not be required after the end of March. They were making their arrangements accordingly, but along about Christmas, as a reminder of the season and of the bounties of providence intended for others, they were told that they would have to leave at the end of the year. When I pressed the minister for the reason he was good enough to explain frankly that their employment by the crown was during pleasure, as I well realized. He said, of course I would know that, and he was quite right; I did. Later on, not in connection with this item but when the main estimates are under consideration, I am going to deal with the matter far more seriously, because I realize that the minister has to yield to the pressure of those who are insistent that their friends should find employment. I have seen enough of public life to know that this is one of the evils or virtues of public life, that those who are able to secure sufficient assistance from their friends very often find themselves in positions which otherwise would not be given them. But when a member of parliament signs his name to a document saying that of his own personal knowledge he knows that a man has been guilty of partisanship, when he did not know the man at all, and the minister to whom that letter was sent dismissed the man, I think we shall have to have a much more serious discussion of the subject than this pleasant little interlude between the minister and myself. I have seen enough to know that the hardships of life are not much considered when it comes down to a question of yielding to the demands that are made by members of parliament upon their ministers.

I have a few instances which at the appropriate time I propose to give the house. Sometimes the son has suffered for the political sins of the father; sometimes the father has suffered for the sins of the son. The case I have in mind affects a far more serious principle, one which was discussed in this house some years ago by the hon. member for St. Lawrence-St. George (Mr. Cahan) and which involved one minister giving effect to a recommendation made by another minister. The Minister of Trade and Commerce of that time felt that he was in duty bound to give effect to the recommendation of his then colleague in the government. This is not the case of a colleague; this is the case of a member of parliament writing a letter—the return has been brought down—in which he pledges his word, which, of course, means a matter of honour, that this man was a partisan. As a matter of fact he is not even acquainted with the man. The person in question has pledged his oath that he has never taken any part in politics. He was appointed in 1915, and he is a man of family. Now he is thrown out on the street, without having an opportunity to be heard or to say a word in his own defence, because a member of parliament has pledged his honour—for that is what is involved—that this man was a partisan. Later on we shall have to discuss that matter, with the names and all details, but I think it would be unfair to discuss it on this item.

I desire, however, to point out that it would be much better if the minister would say frankly: This sum for salaries is the pork barrel provided for our friends who will take the places of your friends, and we trust there will be an extended program and a greater demand for services and more people employed than at present, and we hope that this summer this $200,000 odd will be sufficient to recompense them for their toil and the services they render to the state in their new status.

Mr. CARDIN: I was profoundly touched and very much pleased by the kind words of the leader of the opposition in the first part of his observations, but he has been spoiling my pleasure and satisfaction in the latter part. I would not like to ask the right hon. gentleman for any details—

Mr. BENNETT: The minister will get them.

Mr. CARDIN: —but as far as I am concerned in regard to the projected accusation that he has just mentioned I can plead not guilty. As far as giving some consideration to the claims which are being put up to me by friends of mine or of my party, well, I have been long enough in politics and I know enough of humanity, I think, to say that, if this is a fault, to a certain extent I am guilty, but I am not alone.

Mr. BENNETT: Quite so.

Mr. CARDIN: We all try to do the best that we can. Speaking personally, I think that if my humble record were searched no injustice would be found to have been perpetrated on account of my political partisanship. In my own locality I am known—

Mr. BENNETT: And highly respected.

Mr. CARDIN: —and I receive the very opposite criticism from that which has just been made by the leader of the opposition. I am criticized for not being severe enough to those who may have offended the feelings and sentiments of my partisans. At all events I repeat that if there is any case which my right hon. friend can make against me for any injustice I stand ready to correct it, because I understand the sufferings of poor people and I have always done all I can to help anybody, whatever his party spirit. But I plead guilty that, like all other politicians on both sides of the house, I am a little more sympathetic, when the law permits it, to those who have been working for my party.

Mr. BENNETT: The statement made by the minister is an eminently fair one. He says that he is doing the best he can for everyone but he cannot overlook the claims of his partisans. That is a fair statement and one which I suggest he might have made at the very start, as to what is really covered by this item. That is the real truth about it; it is a pork barrel item and has to be taken care of. I will say this, that the hon. gentleman has a most sympathetic heart and his feelings find expression in the writing of the most courteous and kindly letters it would be possible for anyone to write, and that the action which is sometimes harsh and the subject of criticism is taken never by himself but by others. It would be impossible for him; his feelings would be so harassed and upset by such a thing that he could not contemplate it without emotion.

Mr. MacLENNAN: In regard to the nice words spoken by the leader of the opposition of the Minister of Public Works, I read in the paper yesterday that the leader of the opposition was the most distinguished looking man in the house. I must say that this is the first time I have seen him smile continuously for a minute or two, but seeing him smile it seems to me that he is not only the most distinguished but the most handsome man.

It is a serious matter for a member of parliament to say that to his personal knowledge an officer has been guilty of political partisanship. My constituency is over three hundred miles long. I know that some of the office holders there were active in politics; I am sure of it, but I cannot say it of my own personal knowledge. While I do not wish to say anything here to discredit my predecessor, I may tell the committee that on one sheet of paper he placed the names of twenty-seven office holders who, he declared, were guilty of political partisanship, and they were beheaded forthwith. I do not want to follow that up at all, but the party on my immediate left really ought to practise what they now preach. I am not a bit averse to the Minister of Public Works starting now to scrutinize very carefully the representations of members of parliament who say that they know of their personal knowledge that dozens and dozens of office holders are active partisans. I assure him and this committee that when I say that an office holder has been active in politics when he should not be, I shall be very sure of my ground and I shall not submit any names to him except those that I am sure of from personal knowledge.

Mr. BENNETT: Hear, hear.

Item agreed to.

Other Projects—Public Buildings
Nova Scotia

Guysboro public building — alterations and improvements, $2,500.

Halifax customs building — repairs and improvements, $7,700.

Mr. STEWART: I think the minister ought to give the committee information in connection with these items, because they are new. The observation that I wish to make about the items which follow is this: They would appear to be of a class which should appear in the regular estimates. I see no reason why they should be in special supplementary estimates. With equal propriety they might have been included in the main estimates of the department or the supplementary estimates.

Mr. CARDIN: As regards the first item, for Guysboro public building, this amount is required for alterations and improvements to the postal facilities in the public building there, requested by Mr. Underwood, chief superintendent of post office services.

The second item is for repairs and improvements in the Halifax customs building, asked by the commissioner of customs. Whether these items should have been in the main estimates or in these supplementary estimates is a matter of opinion, but I suppose that on a number of the items designated "other projects" the information was not complete in the department when the main estimates were prepared. There is no doubt

that a certain number of items which we shall find on going through the list could very properly have been included in the main estimates, but at the time we had not all the details necessary.

Mr. STEWART: Will the minister tell the committee the amount of the main estimates for public works this year, and the amount in the main and supplementary estimates of last year?

Mr. CARDIN: The main estimates amount to $13,411,000.

Mr. STEWART: That is for this current year?

Mr. CARDIN: Yes.

Mr. STEWART: What about last year?

Mr. CARDIN: Last year it was $14,530,320 in the main estimates, and in the supplementary estimates for the year 1935-36 the amount was $2,906,150. This gives a total of $17,436,470, outside the Public Works Construction Act. Under that act the amount was $7,892,243.

Mr. STEWART: I take it that would make the $24,000,000 provided last year in the main and supplementary estimates and the Public Works Construction Act.

Mr. CARDIN: Yes.

Mr. STEWART: For work to be undertaken by the Department of Public Works?

Mr. CARDIN: I must correct a statement I made a moment ago. The amount of about $7,000,000 is for expenditures under the Public Works Construction Act.

Mr. STEWART: Could the minister tell the committee in round figures the amount of the vote under the Supplementary Public Works Construction Act, 1935, that was allocated to the Department of Public Works? I am trying to get the total amount of expenditures through the Department of Public Works last year. In the main and supplementary estimates I take it that the amount was about $17,000,000, and under the Supplementary Public Works Construction Act a certain amount was assigned to that department; I have forgotten how much.

Mr. CARDIN: I am informed that it was $15,000,000 in 1935 and $26,000,000 in 1934.

Mr. STEWART: Does the minister refer to the total of all?

Mr. CARDIN: Yes; I am informed that the total was $26,000,000 in 1934 and $15,000,000 in 1935.

[Mr. Cardin.]

Mr. STEWART: That $26,000,000 does not include the amount under the Public Works Construction Act, 1934?

Mr. CARDIN: Yes.

Mr. STEWART: The amount must refer to expenditures.

Mr. CARDIN: No, that is the Public Works Construction Act.

Mr. STEWART: It must be expenditures.

Mr. CARDIN: I am informed that this is the share received by the Department of Public Works under the Public Works Construction Act.

Mr. STEWART: Could the minister give me the total for 1934? I do not want details. I should like the figure to include everything, main and supplementary estimates, and the Public Works Construction Act.

Mr. CARDIN: In 1934 the total ordinary appropriation for the Department of Public Works amounted to $10,240,080. In the same year the amount allotted to the department under the Public Works Construction Act was $26,476,444.96. In 1935, out of the amount voted the amount allotted to the Department of Public Works was $7,892,243. So the total amount allotted to the department was $34,368,688.

Mr. STEWART: That is the information I wanted. Could the minister supplement it by giving the committee the total amount that goes to the Department of Public Works this year? He has said that the main estimates amount to $13,411,000. Would he tell the committee what amount of new work is included in the estimates he has submitted? Possibly we could have the corresponding total for the current year.

Mr. CARDIN: Under projects already undertaken, which we have just passed, the amount is $9,615,930, and those which we are considering presently amount to $5,340,655. We have the main estimates of about $13,411,000.

Mr. STEWART: I take it that for the current year provision is being made for expenditures on new projects, through the Department of Public Works, of about $19,000,000, $13,000,000 of which is in the main estimates and the remaining sum in the new projects now before us. In 1935 the amount placed at the disposal of the department, through the Supplementary Public Works Construction Act, was $34,000,000, and in 1934 it was $36,000,000. Therefore, notwithstanding the demand in the current year for relief of

unemployment through expenditures on public works, the amount of new money or new appropriations is substantially less than it was in the last two years. We have to deduct the appropriation made in prior years under the Public Works Construction Act of 1934 and the Supplementary Public Works Construction Act of 1935.

That brings me to the same position I have taken several times in committee, namely that the summary at the back indicates that in these estimates there is provision for an expenditure of $124,748,743.42. If we take the $30,418,341.66 shown in the summary for projects already undertaken, and the deficit of the Canadian National Railways, which has never before appeared in the estimates, the result will be to reduce substantially what appears to be the appropriation of the government this year for the relief of unemployment by means of public works.

Item agreed to.

Quebec—Cap de la Madeleine—public building, $49,000.

Mr. STEWART: Was there not some provision for this building in the estimates prior to this?

Mr. CARDIN: Yes.

Mr. STEWART: If it was provided for previously under the act, why is it inserted in these special supplementaries as another project, as if it were a new undertaking?

Mr. BENNETT: They want to spend twice as much money.

Mr. CARDIN: The money was provided for but the building was not proceeded with. That is why the amount is repeated here. There was some difficulty with the tenders as the lowest tenderer did not send his certified cheque as required by the regulations of the department. He was asked to have his cheque accepted by the bank but he never came through.

Mr. BENNETT: He must have been a Conservative.

Mr. CARDIN: No.

Mr. STEWART: The minister will clear up this matter if he will just tell the committee whether this item was in the main or supplementary estimates of last year or under the Public Works Construction Act. I think it was in the estimates and, if so, it would lapse and would be properly in these items. If it had appeared in the main estimates there would be a revote. It should appear as a revote instead of as a new project.

Mr. CARDIN: It is practically a revote.

Mr. BENNETT: That is the reason why it should not be in the supplementary estimates.

Mr. CARDIN: There was an appropriation for this building in the estimates of 1935-36.

Mr. STEWART: I suggest that the proper place for this is in the main or supplementary estimates of this year. It should not be placed in the special supplementary estimates for the relief of unemployment.

Item agreed to.

**Ontario**

Belleville—building for entomological branch, $5,000.
Burlington—public building, $23,000.
Kingsville—public building, $11,500.
Mildmay—public building, $10,000.
Ottawa Connaught building — alterations, $16,600.
Ottawa East block—improvements and reconstruction, $250,000.
Ottawa forest products laboratory—improvements, $15,000.
Ottawa parliament building, $15,000.
Ottawa Victoria Memorial Museum—improvements, $17,000.
Ottawa West block—improvements, $23,500.
Toronto post office—fittings and alterations, $13,000.
Toronto—postal station "K", $172,000.

Mr. STIRLING: Would the minister explain what he proposes to do to the East block upon which there is to be an expenditure of $250,000?

Mr. CARDIN: I will tell the committee quite frankly that we are not in a position to state exactly what work will be undertaken. I do not know if other hon. members of the committee are aware of the condition of this building—I know I was not until informed by the officers of the department—but the fact is that the roof, being constructed of wood, is a bad fire hazard. The employees of the Department of Finance are working in inadequate quarters.

Mr. BENNETT: And the Department of External Affairs.

Mr. CARDIN: A fire would probably destroy that part of the building and endanger the lives of the employees. The building is to be surveyed by the engineers of the department, and it is hard to estimate

in advance just what reconstruction will have to take place. The idea is to make the roof as fire-proof as possible. It would be very expensive to make the whole building absolutely fire-proof, but I am advised that the roof and certain other portions of the building occupied by the Department of Finance and the Department of External Affairs can be made fire-proof.

Mr. BENNETT: This is an important building as it contains the vaults of the Department of Finance which, until recently, contained, and, I dare say, at the present time, contains the gold of the country. I think that part of the building may be said to be safe, but the upper storey is not. The roof is constructed of consumable material and I think the danger is very great. My own observations, coupled with what I was told, have led me to believe that it might be possible to make the building fairly fire-proof. It will be recalled that a floor was put in some years ago and that the government of 1911-17 put in a sprinkler system. The battleship linoleum laid on the floor makes that part of the building fairly safe, but the wooden partitions are dangerous. It might be possible to put in a steel frame as was done in Westminster Hall, to relieve the present partitions of any strain, but it might not be possible to do that without practically tearing down the whole building. I think something should be done to make the building safe. I believe the employees could escape in case of fire as the building is not too high, but some of the records in the building are invaluable. I understand the Department of Justice is to vacate the building for another one, and it might be possible gradually to substitute steel girders for the wooden partitions which now exist. I know this would be an expensive process, but I know the minister well enough to realize that he would enjoy having to carry on a more expensive program. In that way more people could be employed and greater relief given to unemployment. I believe that would be entirely satisfactory to him.

Mr. CARDIN: Is that a compliment or a criticism?

Mr. BENNETT: Provided always the members from Ottawa were able to give the necessary recommendations.

At six o'clock the Speaker resumed the chair and the house took recess.

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[Mr. Cardin.]

## After Recess

The house met at eight o'clock.

## PRIVATE BILLS

CONSIDERED IN COMMITTEE—THIRD READINGS

Bill No. 49, for the relief of Birdie Louise Coleman Wilson.—Mr. Jacobs.

Bill No. 50, for the relief of Solomon Hyman, otherwise known as Saul or Sam Hyman.—Mr. Jacobs.

Bill No. 51, for the relief of Lewis Gould. —Mr. Jacobs.

Bill No. 52, for the relief of Hyman Stotland.—Mr. Hanson.

## FISHERIES ACT AMENDMENT

The house resumed, from Tuesday, April 28, consideration of the motion of Mr. Reid for the second reading of Bill No. 20, to amend the Fisheries Act, 1932.

Hon. J. E. MICHAUD (Minister of Fisheries): When this bill was last before the house I was trying to explain, when the hour for private bills expired, the purpose of the act and the reasons for the regulations complained of by the hon. member for New Westminster (Mr. Reid). That purpose is to prohibit by statutory enactment fishing with seine boats in a certain area at the mouth of the Fraser river in the bay of Georgia. Under the Fisheries Act the governor in council, on the recommendation of the Minister of Fisheries, may approve regulations permitting such fishing in that area. This bill is to prevent such permission being given either by order in council or by the Minister of Fisheries.

The regulation authorizing this mode of fishing came into force in 1933, the year following the adoption by order in council of regulations with regard to the inspection of canned salmon on the British Columbia coast. It has been alleged that these regulations for the sanctioning by order in council of this mode of fishing were passed for the purpose of favouring a particular class, namely, the canners. As I have already said, I cannot judge the motives which inspired those who were responsible for the legislation, but I said and I repeat now that I cannot believe they were actuated by such motives. It seems that the regulation permitting this manner of fishing in the area in question was passed solely for the purpose of assisting a class of fishermen who otherwise would not have derived any great benefit from the catch of the late run of salmon in these

waters towards the end of September and in October every odd year. That is the late run of sockeye salmon in the fall.

It is admitted by some, at least, that during the late summer, the end of August and the early fall in every odd year, there is a class of fish which come up the Fraser river for the purpose of spawning along the upper regions of that river, and before they reach the mouth of the river, while they are still in sea water, they are in such a condition that they can be caught and properly packed, provided they are properly graded later. The Americans, who are permitted to fish with seines and seine boats up to the imaginary boundary line in the gulf of Georgia, derive great profits from that mode of fishing, and if it were thought advisable to allow our Canadian fishermen to derive the same benefit, obvious advantages would result. A certain area has been mapped out and is well known to those familiar with conditions on the coast, and since 1933, on two occasions, as I am informed, fishermen of that region derived monetary benefits from large hauls of that fish, which, when caught with seines in the cold salt water, were packed, graded mostly to standard, and put on the market, to the profit of both fishermen and canners. I could give figures as to the quantities caught, but my hon. friend the member for New Westminster put on the record the other evening certain figures which are correct and which show the value to these people of being allowed to catch that fish at that time of the year.

As I said before, this regulation was passed and made it possible, in view of previous regulations of the year 1932, to inspect the fish when packed, and it was possible to detect in some degree whether the fish caught in the fall was then in marketable condition.

The privileges set forth in this regulation can be availed of only in every other year. This year, I understand, there will be no fall run of pink or sockeye, so the regulation will have no application in 1936.

Mr. BENNETT: That is a fact, is it?

Mr. MICHAUD: That is what is reported by the officers of the department. In making that statement I rely on their report.

Mr. BENNETT: Quite so.

Mr. MICHAUD: I believe that all the salmon caught either with seine or with gill nets at that period of the year is Canada first grade or extra good quality. From information available to the department it seems that it is only the fish caught in cold, salt or sea water that comes up to grade 1 or grade A or Canada first, as it may be called, and can go on the market as such. The house will readily understand that it is of great benefit to the fishermen to obtain the fish in that condition, because if they do not catch it with seines it gets into warmer water, where it can be caught with gill nets, but it is not as firm, as hard, or as good as when caught right in the sea. Further, under those circumstances our fishermen are not on the same footing or enjoying the same advantages as are the American fishermen, who are privileged to catch the fish while it is in colder and salter water.

It is possible that the area over which these people are permitted to fish with seines is too large, and that over part of it the gill netters could catch the same quantity of fish. If it is found that this regulation is detrimental to the interests of some class of people on the coast there is no question but that it will be revised. But before doing so, I submit, the department will need a more careful investigation of local conditions. It is possible that for the year 1937 the extent of the area to be reduced could be limited only to that part of the water at the mouth of the Fraser river and in the gulf of Georgia which extends between the boundary line across the gulf and, say to Lulu island on one side, and to Galiano or to Valdes island on the other. In this way we could reduce by about fifty per cent the area, limiting it only to that area which is covered by clear, cold, salt sea water, limiting it to the area close to the boundary line where our competitors can avail themselves of a privilege which we are trying to deny to our British Columbia fishermen. If the house think that they should enjoin the minister or the governor in council to prohibit by law this mode of fishing, I submit that, from all the information which is before us, we do not think this would be in the best interests of the fishermen themselves. It might enable them to catch the same quantity of fish in the fall, but it would certainly not enable them to catch the fish in as good a condition as they can do by means of seines further down in the gulf, and so would deprive them of the privilege of competing with American fishermen just across the line.

I can assure the house that these regulations are not continued or enforced with a view of hurting any class or unduly benefiting any other class of persons interested in the fisheries of British Columbia. As far as the department is concerned the fishermen have to be protected. I believe that the interests of the canners are just as much the interests of the gill net fishermen as of the seine net fishermen.

After all, if the fish is not good and in first class condition the canners will not pay the highest price for it; they may not can it, or if they do it will be classified, on inspection, as grade 2 salmon, of a lower quality. Thus, I believe, the interests of those whom we are trying to protect by this legislation would be injuriously affected.

I submit to my hon. friend that before revoking the power which has been given and before prohibiting this mode of fishing, we should give some consideration to the effect this would have on our trade, as well as to the effect on the fishermen themselves. It may be that if they were not allowed to catch that special class of salmon with gill nets, we would have either to prohibit the late fishing of salmon, as was the case years ago, or to make more stringent regulations regarding inspection, and brand as inferior salmon caught at the mouth of the Fraser river. I submit that either of these alternatives would be more injurious to those fishermen than to regulate their mode of fishing, even though some of them are not privileged to catch as much as are the others. Therefore I submit that my hon. friend should wait another year before seeking to repeal this regulation. In the meantime the department will look into the matter; we will make a special study of conditions, and if we find that for the protection of the industry it is necessary to do away with this regulation we certainly will repeal it without hesitation.

Hon. H. H. STEVENS (Kootenay East): Mr. Speaker, I regret that I must say to my hon. friend sponsoring this bill (Mr. Reid) that I do not see my way clear to support the measure at this time. Knowing as I do how earnest he is in his views on this matter, this adds to my regret, and I may say if I felt that his apprehensions with regard to the injury to the gill net fishermen were well founded I certainly would support him. However I think he is perhaps unduly alarmed in that respect and their interests will not be affected nearly as seriously as he apprehends. Indeed, I question if they will be affected at all, if the seining operations are kept at a reasonable distance away from the mouth of the river.

Let me indicate why I believe that to be true. It is of course known to all, and it should be remembered, that at one time the Fraser river was one of the most marvellous salmon rivers in the world. I can recall that when I first went to British Columbia, now forty-two years ago, the run of salmon up the Fraser was such that if one were to tell what one had seen he would be branded as the champion liar of the fishing season. So I shall not risk my reputation by indicating what I have actually seen, not only at the mouth of the Fraser river but hundreds of miles up in the interior, on the tributaries of that great river. It will be recalled also, however, that one of the most severe blows to fishing on the Fraser river was occasioned by the construction of the Canadian Northern railway, as it was then called. While this work was proceeding down the Fraser canyon the side of a mountain was blasted out, and a huge quantity of rock fell into the river, literally blocking the gorge in such a manner that salmon were very seriously impeded; in fact it threatened the extinction of salmon fishing on the Fraser river. Then, at considerable cost—I think almost wholly to the government, though part of it may have been borne by the railway—steps were taken, in order to give the fish freer passage, to remove this slide or to minimize the damage that had been done. Since then, fishing on the Fraser river has substantially improved, though of course it is still pitifully low in comparison with what it used to be.

Another point to be borne in mind is this: The salmon runs that come up the Fraser very largely enter—I am not going to be dogmatic about this—through the strait of Juan de Fuca, come up through the gulf of Georgia and strike the mainland coast below the boundary, on the Washington side. Then they come up the coast and go up the Skagit and other smaller rivers emptying into the gulf, and into the mouth of the Fraser, and of course some of them go further up. Along through that area there are quite extensive shallows, and the fish like to hover round those shallows for a few days before proceeding up the river. That, I think, is the habit of the salmon as far as that is concerned.

For many years the Americans have allowed fishing out in the gulf with those great purse seines described by the hon. member for New Westminster the other evening. These very numerous vessels of United States registry would go into the gulf and, as indicated the other night, sight the schools of fish coming in and catch very large quantities of them. On the Canadian side we did not allow seining. For many years this question has been before each succeeding government, but seining was not allowed until very recently, within the last couple of years; I have forgotten the exact date. I see no reason at all why we should not permit purse seine fishing on the Canadian side providing it is kept at a considerable distance from the mouth of the Fraser river.

I hope the minister will accept what I have to say in a kindly way if I differ with him on one or two minor points, because it is not reasonable to expect him to be completely familiar with all the details, and particularly with the geography of the country. The minister mentioned that if the area were restricted by a line drawn from Lulu island across to Galiano island, and so on, it would keep purse seines far enough back. I submit, however, that this would not be the case, because Lulu island is the delta of the Fraser river. One arm of the river runs out to the north and the other main arm runs to the south. Certainly I believe purse seine fishing should be kept beyond some point very much further out than that. I would suggest that the line should be drawn three, four or possibly five miles out, because the flats or shallows run out for a considerable distance, and no purse seine fishing should be allowed there.

My hon. friend in his bill has indicated a certain area, running I think directly west from Point Grey—he will correct me if I am not describing this correctly—to the northern end of Galiano island and thence southwesterly, I suppose, to the international boundary, the outer range light, which, I assume, is the one on the westerly side of the gulf of Georgia where it intersects the international boundary on the westerly side of the gulf, thence back to the point of commencement. The area so described means taking in the whole of the gulf between the islands on the west and the mainland south of that line. So, instead of that, I suggest that if purse seine fishing were prohibited within a certain distance, say five miles, of the mainland and the Lulu island shore line at the mouth of the Fraser, and permitted out in the gulf beyond that, I do not think any injury would be done to the gill net fishermen. The gill net fishermen fish largely in and off the mouth of the Fraser, over the sand shallows along the coast and up the river. I do not think there is much gill net fishing far out in the gulf, so that I see no particular damage to be done to the gill net fishermen if purse seine fishing were limited in that way.

I regret the frequent attacks which are made upon the officers of the Department of Fisheries. We may differ in opinion regarding the policy followed by the department; I see ample room for that, but it is unfortunate that officers of the department should be in a sense held responsible for the policies adopted. It is true that these officials advise the minister, but I would remind hon. members who are prone to be bitterly critical of them, that we members of parliament have ample opportunity to present any views we may hold which conflict with those advanced by officers of the department. It is a mistake publicly to denounce these officials, because during the twenty-five years that I have been in parliament—and I think some of them have been in the department during almost that whole period—I have always found them extremely careful men who used their best judgment. I have heard it stated that they are unduly influenced by the canning interests, but I do not think that is the case. I cannot recall in my memory of the record of the department that these officials have been unduly influenced by the canners. I know that the canners have frequently advanced views which were peculiarly in their own interests and which conflicted with those of the fishermen. That, of course, is to be expected, but I believe that the department generally, speaking through its permanent officials, has been reasonably impartial in that respect. I know there are hon. members who will differ perhaps sharply from this statement, but that is my view based upon considerable experience with the department. So I believe, not that the officials are infallible, but that their advice might very well be followed in this matter, particularly in view of the fact that the fishing is of a kind which will not seriously compete with or affect the gill net fishermen.

There is another point, which again I think is a question of fact. It has been stated positively that fish caught in the purse seines are damaged; I think some claim that they become smothered in the mass that naturally is drawn together when the seine is pursed and ready for lifting. I do not profess to have expert knowledge, but I have some familiarity with the matter and my impression is just the contrary. There might occasionally be an unusually heavy purse and some fish damaged; I think that is without doubt, but on the whole I believe that the fish caught in the purse seines would be in just as good or better condition than those caught in the gill nets, particularly if the latter were caught any distance up the river.

At this point I would like to differ in a very kindly way with the minister in his reference to the condition of fish as they are caught in the gill nets and in the purse seines. He said that there was a very great advantage in having the fish caught in clear water. There is a measure of truth in that, but I think the minister over-emphasized the point, because when the salmon come into the brackish waters, the fresh waters flowing out of the mouth of the Fraser, which by the way turn largely down the coast—you can easily see the line of demarcation some miles

out from the shore—the water, changed somewhat by the tide, turns southward and the salmon hover in that area. I do not think a particle of damage is done to the salmon while they are there. In fact some hold the view that the salmon improve in condition while in that area, not if they remain there long, but I believe it is not their habit to remain there very long. So I do not attach much weight to the suggestion that the fish caught in the gill nets in the mouth of the Fraser are in any sense deteriorated by their stay in that area.

Then there is the question of inspection. Here, again, I know that certain hon. members will differ sharply in opinion with me, and I respect the sincerity of their views; yet I am bound to say that careful consideration has convinced me that the system of inspection has been definitely and distinctly beneficial to Canadian interests. I had some experience in connection with exports from Canada and external trade matters, and an opportunity of discussing the subject from many angles with disinterested persons, and I am convinced that inspection is desirable and the need of it imperative. I am not saying that the present scheme of inspection is perfect, but I say that it is a very good one and I certainly do not agree with the denunciation of it that I have heard. When a certain part of a pack is discovered to be not No. 1 but grade No. 2, or some other grade, the department placed in its regulations an order that a second lid should be put on, which second lid would be stamped with the second grade mark, so as clearly to indicate it.

Then it was charged that certain exporters or those who were handling the export business, would remove that second lid and leave the can in its original condition, namely showing the No. 1 mark. Of course that is most reprehensible, and any one found to have done this should certainly be punished. It is fraud of the rankest kind, and should not be allowed under any circumstances. The minister and his department should and, I believe, could devise some method which would overcome the difficulty. I have no doubt that the question has been already considered and I hope measures have been provided to deal with it.

I wish to register definite approval of the general system of inspection, which I hope will be continued and maintained. If it can be improved or strengthened I certainly would approve any such action. Perhaps I had better put it in this way: I would urge the minister not to give way in any sense by removing or abandoning the system of inspection or, I will put it in this way, "a" system of inspection, because I believe that inspection such as was inaugurated a few years ago is decidedly to the benefit of the export business in salmon. We must remember that a great deal of this is export business, and it is most desirable that the high standard of our salmon should be maintained.

Perhaps I might as well say, in passing, that there are many varieties of salmon packed for export and for sale, and it may well be that the department could take into consideration a clearer distinction between the different grades or types of salmon placed on the market. Sometimes there is a tendency to use a name which would indicate that the article was British Columbia salmon. While the label might not indicate that it was sockeye, it would convey the impression that it was No. 1 salmon when, as a matter of fact, it might be a very poor pink, a humpback, a cohoe or some other distinctly inferior brand. That part of the business should be carefully guarded. The high standard of British Columbia sockeye should be maintained in its integrity, at all costs.

I believe I have nothing further to say. I say to the hon. member most earnestly that I do not see my way clear to support his bill. I believe he would be well advised to accept the suggestion of the minister, let it rest for another year and give it still further consideration and study. I want him to know I am sympathetic towards the interests of his constituents, the fishermen, because they, along with other fishermen in other parts of the country, have certainly had a hard enough time. However I do not think this bill would be of any distinct advantage or help to them. It is for these reasons that I cannot support the hon. member's bill.

Mr. H. J. BARBER (Fraser Valley): Mr. Speaker, I feel inclined to support the suggestion set forth in the bill, namely to change the boundaries within which seine fishing is carried on. The last speaker referred to the fish gathering in schools in the brackish water, as they enter fresh water from the salt water. So far as my information goes, I think this is where the great destruction is carried on. These salmon gather in large schools and play around there for some time before entering the fresh water. That is the time when the seiners come along with their nets and scoop them up. I believe this has proved disastrous to the fish, and particularly to those varieties which we expect to enter the river at that

time of the year and upon which gill netters depend for certain revenues during the fall.

I say that I am inclined to support the suggestion. I do not know whether or not the boundaries are just correct, but they should be set further out from the mouth of the river. I know that if this bill does not become law at this session, a large number of fishermen in the New Westminster and Fraser Valley districts will be disappointed, because my hon. friend stressed his views to a great extent during the last election campaign, and no doubt as a result of those views he received a substantial support from the fishermen of his constituency. Now that the party to which he belongs is in office and has a very large majority, about which we have heard so much at the present session, those men have a perfect right to expect some action and I shall be prepared to support the principle of the bill, as I did on a previous occasion when a similar bill was before the house.

I think the question as to boundaries might very well be considered. Whether it is necessary to have a bill or whether the result could be brought about by regulation is a matter for consideration. The minister should give careful thought to the suggestions which have been made. The last speaker (Mr. Stevens) has suggested that the matter might be laid over for another year. Similar suggestions have been acted upon every year for a number of years and I believe the time has now arrived for action. I suggest to the minister that if he cannot accept the bill at least he should do something to change the regulations so that the boundary will be changed, and these fishermen will not be permitted to come so far up into the mouth of the Fraser river.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I desire to congratulate the hon. member for New Westminster (Mr. Reid) upon the moderation with which as a layman he presented his case. It was admirably presented in every way, and had he not devoted his life to acquiring skill with the bagpipes he certainly would have been an admirable legal practitioner.

I rise for only one purpose. If the statements made by the hon. member regarding the frauds practised by those who can salmon are accurate, then immediate action should be taken. That a double can should be prepared and that the methods indicated by the hon. member should be followed is a sad reflection upon this country. I stress the hope that the minister will take immediate steps to see to it that there will be no repetition of the frauds practised upon the purchasing public if—and I put the word "if" in large letters—the facts as stated by the hon. member are correct. I am sure he stated them as he believed them, but it is difficult to think that reputable manufacturers would resort to the methods indicated for the purpose of selling their product fraudulently.

So far as the general question is concerned it is, of course, competent for the minister to recommend that the order in council be rescinded. That would end the matter, without any bill. All you have to do is stay as you were. It is satisfactory to note that the hon. member for Kootenay East (Mr. Stevens), who at the time the order in council was passed was a representative from British Columbia in the goverenment, is still of opinion that the order in council was properly passed, because as regards the passing of that order in council we relied more or less on local knowledge. The terms in which it was enacted indicate clearly the purpose which was to be accomplished. If there are any substantial reasons why the action was not warranted, then it is always open to the government, as it was to that government, to rescind or to repeal the order in council. But the bill proposes to accomplish something more than that. It does not propose entirely to cancel the effect of the order in council, but to some extent to modify the field of its operation.

I have no personal views with respect to the matter and I only desire to make it perfectly clear that if the facts are as stated we should not hesitate for a minute to take every possible action to prevent the continuation of such frauds upon the purchasing public.

With respect to the other matter it is always open for the government of my right hon. friend with its vast majority, to which my hon. friend sometimes refers, to accomplish his purpose without having any reference whatever to a bill in parliament, presumably like General Parkinson's reference to Disraeli, who had a resolution in his pocket but would proceed by bill if advisable. It is competent to rescind the order in council by order in council, rather than proceed by a bill.

Mr. THOMAS REID (New Westminster): Mr. Speaker, the few minutes left before nine o'clock will not allow me to deal with all the arguments that have been advanced this evening. At the outset let me say that I appreciate very much the kind words of the right hon. leader of the opposition (Mr. Bennett), and I can assure him in regard to his remarks about me that if I were as good a lawyer as I am a player, I would be some lawyer.

I also appreciate the fact that the minister who is in charge of the Fisheries department (Mr. Michaud) does not know the district in question as those of us from British Columbia do, but I am pleased that he is going to go out there to look over the situation for himself, and I was glad to hear his statement that if it is found that a wrong has been done to the gill net fishermen, the regulations will be changed. I realize that close to the international boundary there is clear water, but the greater part of the area has been fished by gill net fishermen since confederation.

The hon. member for Kootenay East (Mr. Stevens) referred to my attack on the officials of the department. It is true that in the House of Commons I personally have criticized the officials, but I have done so only after coming to the conclusion that their attitude was against the fishermen; at least, that is my belief. I shall give only one instance, and that is in connection with the embargo which had existed from confederation against the export of sockeye salmon from the Fraser river to the United States. When we urged in this house, and were supported by the hon. member for Comox-Alberni (Mr. Neill), that the embargo should be lifted and the fishermen allowed to sell their fish in the highest market, the officials said: If that happens, Gabriel might as well blow his trumpet, for all is over with the fishermen. Every time we advocated this they said that it should not be done, and that it would be just too bad for the fishing industry if it were done. Well, it was done last year and nothing serious has happened. The fisherman is still there and will be for a long time. The cannery men are still operating there even though the fishermen are allowed to ship their fish, and nothing that was predicted by the officials of the department has happened. That is why I am pleading with the minister and with this house to-night. The officials had not one good word to say on behalf of the gill net fishermen on the Fraser river when we discussed this matter in committee last year.

I might have asked the minister to accomplish by order in council the object sought by this bill, but realizing the stone wall of officialdom that we are up against, I felt that this was the proper place and this was the proper manner of proceeding in order to bring the matter forcibly before the new members of the House of Commons, and to get the matter remedied.

As I have pointed out, I have not the time this evening to refer to every argument that has been made by the minister and by the hon. member for Kootenay East. The minister said that I had introduced four or five different subjects, but I would point out that most of them are related to the bill under discussion. The treaty which Canada has signed but which has not yet been signed by the United States is related to sockeye salmon entering the Fraser river.

Mr. BENNETT: Signed but not ratified by the senate.

Mr. REID: Exactly. Now in regard to quality, I notice that the director of fisheries in British Columbia stated publicly last year that the reason seines were allowed to fish there was in order that the fishermen might catch the fish in larger numbers. We know that to be the truth. We know that the seine boats had mobile traps and that they moved from one district to another, and they were largely owned by the canners, but that was not the reason given as in 1933. This was the last area precluded to them. The gill net fishermen had been fishing there ever since confederation, but after the seine fishing started there, the gill net fishermen were driven out, and not only that but other varieties of fish in those waters have been diminishing, for the seine boats catch almost everything within the school of fish.

I do not want to press this bill to a vote because, as stated, it does not affect the fishermen this year as the seines will not become operative in the area this year, but I think it is only right that the seine fishing industry should be given notice now that next year seine fishing will not be allowed in this area. I know that some seine fishing is necessary in open, clear water, but the district dealt with by this bill is the brackish water of the Fraser river. Under the circumstances, and looking for good results, I am perfectly willing to withdraw the bill at this time, in the hope and expectation that the minister will really look over the district for himself and not take too seriously what his officials tell him about the matter, and that seine fishing, if allowed in there at all, will be in very small proportion and confined as closely as possible to the international boundary. Believing that the minister will do something, under the circumstances, therefore, Mr. Speaker, I would ask permission to withdraw the bill.

Bill withdrawn.

## SUPPLY

### DEPARTMENT OF PUBLIC WORKS

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

The CHAIRMAN: When the committee rose at six o'clock we were considering item No. 399, public buildings in Ontario.

Ontario

Belleville—building for entomological branch, $5,000.
Burlington—public building, $23,000.
Kingsville—public building, $11,500.
Mildmay—public building, $10,000.
Ottawa Connaught building — alterations, $16,600.
Ottawa East block—improvements and reconstruction, $250,000.
Ottawa forest products laboratory—improvements, $15,000.
Ottawa parliament building, $15,000.
Ottawa Viotoria Memorial Museum—improvements, $17,000.
Ottawa West block—improvements, $23,500.
Toronto post office—fittings and alterations, $13,000.
Toronto—postal station "K", $172,000.

Mr. STIRLING: I see there is an item of $15,000 for this parliament building. Would the minister explain what work is to be done here?

Mr. CARDIN: This amount is to provide for carving, as requested by the chief architect of the department in a memorandum dated a few weeks ago. As the hon. gentleman and other hon. members know, there is still a large amount of carving to be done round this building. It is being done a little at a time each year, a small amount of money being placed in the estimates each year for this purpose. This will by no means complete the work, but a small amount will be undertaken this year.

Mr. STIRLING: For relief?

Mr. CARDIN: It may be for relief because the stonecutters are in very difficult circumstances.

Mr. MacNICOL: What relation has the item of $11,500 for a public building at Kingsville to the item of $14,500 in the main estimates for a public building at Kingsville? Is this for the same building?

Mr. CARDIN: This is a supplementary amount to complete the building.

Mr. MacNICOL: Has something been added to the original plans?

Mr. CARDIN: No.

Mr. STEWART: It would occur to me, then, that this item should properly appear under the heading of "Projects already undertaken." It is not a new project at all; it is not another project but just an amount to complete a building for which provision had been made.

Mr. CARDIN: I am informed that this item was in the ordinary estimates of the department and not under the Public Works Construction Act. What comes under the title "projects already undertaken" refers to the Public Works Construction Act.

Mr. STEWART: That leads me to the conclusion that this ought to appear in the regular estimates or in the supplementaries instead of in a program of special supplementary estimates which are described as having been prepared for the purpose of indicating the amount that the government was making available for relief in an emergent situation. Clearly this item is out of place in a schedule such as this. As regards carving, that does not appear to be work of an emergent character or one which will greatly relieve unemployment. In years gone by we had the matter under consideration at different times and it was thought that a similar amount spent in other ways would give a larger volume of employment, though it is undoubtedly true that stonecutters, those doing work of that kind, are out of work. But what I have indicated was the reason no provision was made for the item earlier in the estimates. Will the minister be good enough to break up this item and indicate which are new projects and which are revotes. The Belleville public building was in the estimates last year.

Mr. STEVENS: While the minister is looking up the information he might answer another question. In connection with these items for Ottawa I see there are six. Will it be necessary for those who secure work on these different projects in this city to do, as the hon. member for Ottawa West (Mr. Ahearn) indicated shortly after his election, secure a card from the Ottawa Liberal Association. It is interesting to know whether that is the system under this relief measure.

Mr. DUPUIS: They are all Liberal anyway.

Mr. BENNETT: Those on relief in Ottawa? Oh, no.

Mr. DUPUIS: I have never met a Conservative in Ottawa outside this house.

Mr. CARDIN: In this vote the new expenditures are, first, Mildmay, in the constituency of Grey-Bruce; the East block in Ottawa, improvements and reconstruction—

Mr. BENNETT: The Connaught building too.

Mr. CARDIN: No; these are alterations. Then we have the parliament building; that is a new vote, and the Victoria Memorial Museum, improvements. That is evidently a new vote. Then there is the West block, Ottawa, improvements. These items have no connection with those under the title "projects already undertaken." With regard to the question asked by my hon. friend (Mr. Stevens) in all probability—in fact—the recommendations of the hon. members for Ottawa will be considered. There is nothing unusual about that; it is a practice that has prevailed for years.

Mr. BENNETT: Not in connection with relief.

Mr. CARDIN: Other representations also will receive proper consideration in due time.

Mr. SPENCE: I suggest that the minister should withdraw this item of $15,000. Of course, it is not worth while talking about $15,000 here, for every item ranges from $200,000 to $1,000,000, and so on. I submit, however, that $15,000 could be saved in connection with carving in this house. Go into the lobby and look at the carving; it is spoiling good stone and is a waste of money.

Mr. CARDIN: I might be inclined to agree with the hon. gentleman, but then my taste may not be good. I do not know much about the arts.

Mr. SPENCE: There is nothing artistic about it. It is spoiling good stone.

Mr. MUTCH: Are the new projects mentioned all in Ontario or are there similar new projects elsewhere in the dominion?

Mr. CARDIN: There are new projects in other sections. As far as Ontario is concerned, there are also projects covered by harbour and river developments. As regards buildings, these are the new items.

Mr. BENNETT: Outside the main estimates.

Mr. CARDIN: Certainly.

Mr. MacNICOL: I want to ask a further question in connection with the Kingsville building. In the estimates submitted some time ago an amount of $14,500 was indicated for that building. When the original vote was introduced a year ago the amount asked for was $25,000. I assumed at the time that was to be the total cost of the Kingsville building. If you subtract the revote of $5,500 from the item of $14,500 in the main estimates, it leaves a net amount of $9,000; and then in the estimates before us there is another $11,500, or an additional $20,500 altogether. I cannot understand how a building that was to cost $25,000 in the first place will cost now, according to my figures, $45,500. Either the building must have been doubled in size or a more expensive property must have been purchased. There must be some explanation.



Mr. CARDIN: The contract price for that building was $26,690. This amount of $11,500 is in addition to the amount which is included in the main estimates. The explanatory note that was given to me is that last December, at the time when the main estimates were being prepared it was anticipated that the contractor would perform work to the extent of $18,000 in the year 1935-36. Instead of that, work to the extent of $10,000 was done, leaving $8,000 to be provided. In addition to that, a clock and gable are to be installed at a cost of $1,250. The cost of fittings is increased from $3,000 to $4,500, and contingencies are increased $250, from $1,810 to $2,060.

Mr. MacNEIL: What will be the total cost when it is completed?

Mr. CARDIN: It will be $40,000. Of course, the original contract of $26,000 did not ininclude the interior fittings of the building.

Mr. MacNEIL: I should like to have a clear understanding of the statement made by the minister a moment or so ago. I was astounded to learn of the procedure followed in permitting men to work in the city of Ottawa. It seems to me a very vicious principle of discrimination that men who are competent to work and desire work are not granted it unless their political beliefs are favoured by the party in power.

Mr. DUPUIS: The minister did not say that at all.

Mr. MacNEIL: I understood that a man must have a card from the Ottawa Liberal Association. However I should be glad to hear what—

Mr. CARDIN: That is not the case.

Mr. MacNEIL: I understood from the words of the minister that that was the usual practice.

Mr. CARDIN: No, that is not the case.

Mr. BENNETT: Perhaps the minister will tell us what he proposes to do with the forest products building. It is a testing laboratory which, in my judgment, should be under the control of the National Research bureau. The late government declined to spend any money other than to keep up the building; I refer

to the building at Montreal. We have now no public domain on which we have forests to sell, except in the northwest territories, and we cannot sell them there. Now, that we have handed over the railway belt to British Columbia, and the natural resources to the western provinces, the provinces have complete control of all the timber in the country, but we maintain the laboratory at Montreal. It seemed to me that this was very improper, because it could be worked out with the National Research bureau, and steps were taken looking to the accomplishment of that end. To put more money into this laboratory would be, I think, wholly improper; we should have the work carried on by the institutions set up for that purpose. We are testing the tensile strength and other qualities of woods; just why, I do not know; I never was able to understand why. In view of the fact that we parted with our resources and turned them back to the provinces, and parted with the railway belt lands, we no longer have any areas of timber over which we could exercise any effective control.

The same thing comes up in connection with planting trees. The provinces now have complete control of the situation. There was a time when we had control of the whole of the northwest territories and the western provinces, but that day has long since passed. I think the minister might give some consideration as to why we are now spending money on this laboratory.

Mr. CARDIN: This laboratory, as my right hon. friend said, is in Montreal on the grounds of McGill university.

Mr. BENNETT: Exactly.

Mr. CARDIN: And if my information is correct, the companies interested in our forests are contributing a certain amount of money towards the maintenance of that laboratory. At all events the Department of Public Works, in making this grant, is only acting for another department. I, of course, have no control over this laboratory; if I am not mistaken, it is under the Department of the Interior.

Mr. BENNETT: That is right.

Mr. CARDIN: I am taking care of it only as I take care of all the public buildings for all the other departments. It is not for me to speak as to the policy involved in transferring this organization to the provincial authorities. This amount of money is for improvements only.

Mr. BENNETT: I know that. But the place is about through.

Mr. MacINNIS: Could the minister tell the committee how these works, having particular reference to the Ottawa projects, are to be done? Will tenders be called for the various projects, with the exception of the one for the Ottawa parliament buildings? I assume that no tender will be called for that. Will tenders be called for the other items on the list having reference to Ottawa?

Mr. CARDIN: Yes, it is proposed to ask for tenders on all these works, when it is possible. Of course there are certain works that can be done by the ordinary employees of the departments, but, generally speaking, we shall follow the rule and ask for tenders.

Mr. MacINNIS: Touching on the point which was raised by the hon. member for Kootenay East (Mr. Stevens) and was again the subject of a question by the hon. member for Vancouver North (Mr. MacNeil), I understood the minister to say that in engaging employees for these works the usual procedure would be followed, and that to get work a person would have to have a card from a city member.

Some hon. MEMBERS: No.

Mr. MacINNIS: If the minister did not make that statement I wish he would make clear to the committee just what he did say, because I do not want to go away from here with a wrong impression as to what he said.

Mr. CARDIN: What I said was this: Nobody will complain, I suppose, if I give consideration to the representations being made by the members for Ottawa. They have the right, as has anybody else, to make recommendations with the view of providing work for certain people who are in need of work. That these persons may be friends of the members is no objection; members should not be prevented from recommending persons to be employed on public works because they are their friends. They have the right, like anybody else, to make recommendations. I said that we would, no doubt, take into consideration such recommendations. That has been the practice followed for years, ever since confederation, by, I suppose, all politicians. I added that as far as possible, where circumstances permitted or justified such action, any other recommendation would also be considered and the requests granted.

Mr. MacINNIS: To me that does not sound very convincing. I understand that this is a vote of the public moneys of Canada. Irrespective of party, the people of Canada will be taxed to raise this money, and the unemployed are not confined to supporters

of any one party. Regardless of what the practice may have been in the past, I cannot see why we should continue a practice unless it is a good one, and I doubt whether there is anybody in this house who will say that it is a good practice. They may say so when they are in office, but not when they are out of office. I believe that many of the people who voted for the Liberal party expected it to adopt new ideals, to adopt new measures, new principles and new policies, and not to follow the old practices even if they have been followed since confederation. See where such policies have landed us. In this city of Ottawa I have spoken to a great many unemployed, and the impression among them is that they cannot get jobs on government works unless they receive recommendations from the sitting member or someone else who is influential in the Liberal party. Whether that has been the practice or not, it seems to me that the more such a practice has prevailed, the stronger the reason why it should be abolished and we should get down to a proper basis, whereby we shall not take away the independence of our people by making it a condition that if they are to get work they must vote for a certain party.

Mr. DUPUIS: May I be allowed to answer the hon. member for Vancouver East (Mr. MacInnis)?

Mr. BENNETT: Coming events cast their shadows before.

Mr. DUPUIS: I just want to cite my own experience, and what I am going to say I can corroborate. My experience as a member of parliament, whether the party in power was Liberal or Conservative, was that whenever work was required and undertaken for the purpose of providing employment, generally speaking the local member recommended not only those of his own party but anyone unemployed, whatever might have been his political allegiance, provided he was the head of a family and in need of work. Since the Liberal party has been in power I am sure that we have always given recommendations to those who deserved work, irrespective of their party allegiance.

Mr. BENNETT: The minister has entirely misstated the case. What he has said might be applicable to normal conditions, but it cannot possibly be applicable to the abnormal conditions under which these expenditures are being made. The contractors who secure the contract for the construction of a building are told—it is part of their contract in many instances, though I do not know whether or not that is the case now—that they must give employment to those who are really in necessitous circumstances. I will put it as broadly as that. Whenever there is an attempt to interfere with the contractor in connection with relief undertakings I think the minister should be adamant in preventing that being done. It is a terrible thing; I say it is terrible because I saw evidences of it in one case. It is distressing—I will put it as mildly as that—to think that a man whose children are suffering from lack of food, except such as may be obtained from relief, cannot be permitted to work for a contractor unless he is endorsed and recommended by some member of parliament in this capital city, on work which is being carried on with the money of all Canada, not of one part only, and which is being maintained by the people generally.

I knew the problems of the Minister of Public Works of the recent government in that connection. I had knowledge of what perhaps hon. gentlemen have read in the newspapers, in connection with the contractor who was building the addition to the mint here. He brought to this city men from the west, and when I say the west I mean as far away as Sudbury. One of those young men came to see me, and I took the matter up with the Department of Labour. On investigation that department found that this contractor was taking ten cents an hour off the pay of this poor unfortunate. That man got his money back from the contractor, but of course that ended any possible chance he might have had of being employed there any longer, so now he is out of a job. It is unfair to say that necessitous persons must be vouched for, in connection with relief undertakings, by a political organization. As far as it was possible every effort was made by the former government to eliminate that sort of thing in the last few years.

In Quebec, I am sorry to say, in provincial undertakings in connection with roads they went so far as to put in writting a perfectly clear statement that in the particular district the vote usually had been in the proportion of, we shall say, eight to four, and they thought that those who might be recommended by the opposition to the Taschereau administration might have one-third and the other two-thirds should be recommended by the representatives of the government that was in power. And, mark you, we were contributing to that work. When the Minister of Labour raised a question about the matter, as he did, he had a good deal of difficulty. We were told that this was a

recognized custom, and that it had the sanction of authority and long usage behind it.

We have never had such relief conditions in this country as we have experienced in the last few years; we have never had to meet exactly the same situation. The minister is not lacking in courage nor in, shall I say, a most earnest desire to appreciate sympathetically the wants of those in necessitous circumstances. I should like to hear the hon. gentleman say that so far as contractors are concerned they will be told that as far as possible they are to give employment to those requiring work, as indicated by the Minister of Labour, and that they should proceed accordingly. I well recall my first experience of anything to the contrary, when a contractor who was about to tender for a job was asked if he would have a free hand in the employment of his staff. I said, "I have no reason to think to the contrary." That was many long years ago; I was much more innocent then than I am now, and he replied, "That has not been my experience." He was a very old and experienced contractor. If we interfere with the contractor, except as determined by the provisions of his contract, we lay a foundation for a claim for extras, and we have trouble at once. On the other hand, if we say in the contract, as we have been endeavouring to do, that the fair wage scale shall prevail; that local men shall be employed up to a certain number; that returned men shall be employed up to a certain number and that necessitous tradesmen or artisans, skilled or otherwise, shall find employment, I think that is as far as we can go in connection with relief.

As far as ordinary expenditures are concerned I am not prepared to differ seriously from what was said by the minister of the hon. member for—

Mr. DUPUIS: Chambly-Rouville. The name was changed by the last government.

Mr. BENNETT: Well, apparently not to its advantage. At any rate I suggest that the minister should make it abundantly clear that in dealing with relief matters we are not going to have the Dominion of Canada placed in that humiliating and embarrassing position, and if he takes a firm stand I am satisfied that he will be supported by public opinion in every part of this country. To me it has been distressing that any opposite attitude should be taken. I am not discussing the general political situation; I have seen too much of it to endeavour to suggest that we should be hypocrites enough to say that while in opposition we should condemn the other man for doing the same thing we did when in office. It is all bad, but there it is. But this is relief, and it must be placed upon another basis.

Mr. CARDIN: I desire to add only one word, in order to relieve the minds of hon. gentlemen opposite. I may say that as far as I am concerned no order of any kind has been given by me or by my officers to any of the contractors under the Public Works Construction Act; I have never interfered with the liberty of contractors in hiring the men they wished to hire, according to their own needs. I know very well in what a difficult position I would place myself if I interfered with a contractor and dictated to him as to what men he should employ on his work. He is absolutely free to hire the men he desires to hire; I have not interfered in the past and I do not propose to interfere during my term of office and during the time necessary to expend the money being voted by parliament at the present time. As to the other phase of the question, I do not want to be dragged into it. The last observations made by the right hon. gentleman relieve me of the necessity of going into details. We are agreed on many points, but in certain points we may differ, and I do not want to go into that at the present time; it is not necessary.

Mr. BENNETT: What points?

Mr. CARDIN: I would have said that there is another side to the picture he has been giving, but I do not want to go into that now; no good is to be derived from doing so. However I assure my right hon. friend and the other hon. members that I have not interfered and do not propose to interfere with the contractors when they are doing the works provided for in these estimates.

Mr. BENNETT: Will the hon. gentleman prevent them from being interfered with?

Mr. CARDIN: Yes.

Mr. STEWART: I take it from the statement of the minister that these works will be carried on under the provisions of the Public Works acts which provide that for any works costing more than $5,000 public tenders shall be invited. The act contains a further provision that in cases of emergency, or where the officers of the department certify that in their opinion the work can better be done by the officers and servants of the department, tenders need not be invited. Obviously that is the case with respect to some items; repairs and overhauling of a building I know from experience

you cannot always prepare specifications for, and if they are to be done economically and if the party who does the work is to have a fair chance they should be done by day's work. Am I right in assuming that these works will be carried on under the provisions of the Public Works Act I have outlined?

The other matter to which I wish to draw the attention of the minister is a clause that appeared in the Public Works Construction Act of 1935, chapter 34, section 2:

> The governor in council may authorize the execution and completion of the several works and undertakings mentioned in schedule A to this act, and for such purposes may authorize the performance of such acts and the execution of such contracts as may be deemed necessary and expedient: provided, however, that in the execution of such works, as far as practicable and consistent with reasonable efficiency and economy, first consideration shall be given to the employment of those who if available and competent are most in need in the locality in which the works are to be performed, without any discrimination whatsoever; preference being shown to unemployed ex-service men and unemployed married and single men with dependents; and that the minister of the department responsible for the execution of such works may take such action as he may deem necessary and proper to enforce compliance with the foregoing provisions.

Mr. MACKENZIE (Vancouver): That was moved by the hon. member for Lambton West (Mr. Gray) last year.

Mr. STEWART: No, that is not exactly his wording; we really improved on the wording suggested by the hon. member for Lambton West. However it goes back to the other side of the house, so I am sure my hon. friend will see that the recommendation of his fellow member is carried out.

Mr. BENNETT: We propose to move it to the bill anyhow.

Mr. STEWART: A clause similar to this is found in a bill that has passed the house in regard to works under the unemployment relief act. In pursuance of that provision, that clause, as I recall, was embodied in the contracts of the Public Works department last year for works set out in the schedule. I suggest that if the minister wishes to follow that precedent it should be embodied in the specifications of the contracts this year. I know it is a difficult matter for the contractor, and the only way is to put the provision in the specifications so that he knows beforehand what is expected; then there is no interference with him when he is asked to carry out the provisions of the contract.

With regard to work done by the department by the day, they are free to employ whomever they choose, but it seems to me that this provision might well be followed as far as practicable in carrying out such work. I know the officials of the department gave serious consideration to that in the program of 1935, and I suggest that the minister follow the precedent so set.

Mr. CARDIN: I have no hesitation in stating that I am in complete accord with the spirit of what my hon. friend has just said. I agree with his views.

Mr. STEWART: There is one other question, that is with respect to this postal station "K" at Toronto. That is an item which appeared in the estimates of last year, I believe, and for which tenders were invited. I am not sure that they were received prior to the change of government; at any rate the contract was not awarded. I think the tenders were not due until shortly before or shortly after the election. Is it the intention of the department to award the contract on the basis of those tenders?

Mr. CARDIN: Yes. The contract has been awarded on the tenders.

Item agreed to.

Manitoba — dominion public buildings — improvements and repairs, $15,000.

Mr. STEWART: I do not want to raise this question too often, but here again is a small item which should appear in the regular estimates. It is not special in any way. In the general estimates of every year there has, I think, been something of the kind.

Mr. BENNETT: Yes, always.

Mr. CARDIN: I quite admit that there will be found in these supplementary estimates a number of items which usually go in the ordinary main estimates and supplementary estimates of the department. But in preparing these estimates with a view to helping to relieve unemployment we included some items which usually would go in the ordinary main and supplementary estimates. As I said before six o'clock, in many cases we had not the necessary information to cover all the items when the main estimates were prepared. The main estimates were prepared in December last, and since December the department has been receiving reports from the resident engineers of the department all over the country suggesting repairs to be made to public buildings.

Mr. STEWART: But this is a blanket item which is usually put in to cover contingencies, apart from any special report. I venture to think this is not in any special report. That suggests to me that as far as these items are

concerned the word "special" should be removed. They are ordinary supplementary estimates. I ask the minister: Is it likely that his department will bring down another special supplementary estimate, or does he think he has included everything here to cover the whole program for the rest of the year?

Mr. CARDIN: Well, I hope I have included everything. There is always the possibility of something else being brought to the house a little later.

Mr. STEWART: Well, are we to have these special supplementaries and then further supplementaries? When are we going to get to the end?

Mr. CARDIN: As my hon. friend knows, the reports and requests come in regularly to the department even after the estimates have been tabled, and we have to consider requests coming in from all over the country. There is no stop. Requests and petitions keep coming in all the time.

Mr. STEWART: I suggest that if the minister announce that he has closed the chapter for this year he might save himself a lot of trouble.

Mr. CARDIN: I would not undertake to do that. I might even hear from my hon. friend; there might be some reports coming from his constituency for works which are justified, so I want to keep the opportunity open of giving something to him.

Mr. STEWART: I think things are in fairly good shape in the county of Leeds.

Mr. CARDIN: No doubt.

Mr. STEWART: There was one item I wrote the minister about, a little bit of dredging which I thought would have been done out of the general fund, and I so suggested. But he was kind enough to give it the publicity of appearing in the regular estimates.

Mr. CARDIN: I welcome any suggestion to reduce the length of the estimates.

Mr. BENNETT: The hon. member would prefer a blank cheque, I am sure. May I put it in this way; in fact, may I put it exactly as it was put by one who used to occupy this seat? Is this not an effort, and a very clear one, to lessen the apparent capital expenditures of the country in the main estimates, and to pad these as relief, thereby escaping, what everybody knows now, the swollen estimates of 1936-37?

There have not been presented to this parliament, I suppose for half a generation, main estimates that did not contain a general provision for dominion public buildings, improvements and repairs, in the western provinces. That provision is found in all the estimates. Where it should have been was in the main estimates, or in the supplementary estimates which come at the end of the session. What is happening is that this is so arranged as to make it appear that for relief purposes we are voting this money, when in reality it is not a vote for relief at all. The main estimates are swollen accordingly; we all know that. I wonder that you thought we were so foolish for so long. The minister makes the situation quite clear; this estimate should not be here, but it looks well to put it here rather than put it into the main estimates and make those estimates look larger than they should.

Mr. MACKENZIE (Vancouver): There are provisions in the main estimates for dominion public buildings in every province. This is supplementary.

Mr. BENNETT: Then you simply double the amount; that is all. The amount was not sufficient. Now you say: Look how we are practising economy; look how we cut down on the estimates. And now in these special supplementaries we are asked for another $15,000 for Manitoba, another vote for British Columbia and another for Alberta. The Minister of National Defence knows that is a very simple way to do it—put it into the main estimates, but do not put in enough and say: Behold the economy practised by thy servant. Then turn the other way and say: Look at what we have done for unemployment. No wonder the Minister of the Interior laughs. Even his sense of humour—and that is saying a good deal—is appealed to. And anyone will admit that if this appeals to the sense of humour of the Minister of the Interior it must be very clear indeed, so I will leave it at that.

Mr. CRERAR: I assure you, Mr. Chairman, that no one more frequently appeals to my sense of humour than does the leader of the opposition.

Mr. BENNETT: Quite so; I thought the hon. member would be able to say that.

Item agreed to.

Saskatchewan—dominion public buildings—improvements and repairs, $15,000.

Mr. BENNETT: The same thing.

Item agreed to.

Alberta

Calgary — barracks — guard room, meter building and airplane hangar, $175,000.
Dominion public buildings — improvements and repairs, $15,000.

Mr. BENNETT: This is part of the air policy of the government, and I am bound to say that I was not consulted with respect to it, pleased as I am to see it here. If they could get it anywhere else they would not put it here.

Item agreed to.

British Columbia

Dominion public buildings — improvements and repairs, $15,000.
Vancouver—addition and alterations to R.C.N.V.R. building, $9,000.

Mr. STEWART: What about the additions to the Vancouver building?

Mr. BENNETT: That is for the naval cadets.

Mr. MacNEIL: I wish to direct the attention of the minister to what I consider to be a serious omission. Some time ago I brought to his attention the necessity for the erection of a public building at Powell River, and he assured me that this matter would receive consideration in the preparation of the supplementary estimates. Perhaps I am not familiar with the practice followed in allocating expenditures to various areas, but it strikes me that there is the need for a public building in the town of Powell River as great as that existing at many of the points for which provision has been made in the supplementary estimates.

May I remind the minister that in 1914 a sum was voted for the erection of a public building at Powell River, but the construction of that building was not proceeded with because of the intervention of the war. It is now important to note the remarkable development of this important industrial community, and the fact that it has wholly inadequate facilities for the transaction of post office, customs and excise business. The buildings now in use are so inadequate that during the busy hours serious congestion occurs.

Powell River has a population of 5,400, a pay-roll now in excess of $1,125,000 annually. Goods are produced each year to the value of $7,000,000 and exported each year to the value of $4,490,000. These figures will give an idea of the amount of business transacted in the community. The registered tonnage of sea-going ships entered annually stands at 472,000 tons. I know the minister has on file a photograph of the present post office building, and I may tell him that when the men are off shift and call for their mail the congestion and delay are serious. I made a personal inspection of the premises, and on the testimony of the local officials I may say that it is impossible efficiently to transact the business of this rapidly growing community.

The customs business is carried on in a converted bunk house which is also quite inadequate for the accommodation of the customs' officers. I understand the Powell River Pulp and Paper Company has agreed to provide a site for the erection of a public building in Powell River and has made representations to the department setting forth the necessity for the erection of a building at that point at an early date. In view of the justification given for other appropriations which have been made, may I say that the need is as great in Powell River as at any other point in Canada. Considering the matter strictly from the standpoint of good business, I had reason to hope something might be done this session. I am grievously disappointed that the minister has not seen fit to introduce in his supplementary estimates an appropriation for this building.

Mr. CARDIN: May I say to the hon. member that the project he mentioned is like many others on the list. It has been considered by the department, but at the last moment it was decided as much as possible to reduce the number of public buildings for which provision would be made in the estimates. However I assure the hon. member that the representations he has made will receive proper consideration, and judging from the importance of the locality, in view of what he has just said he may be sure I shall do the best I can to meet his request when another opportunity offers.

Mr. NEILL: Will the minister—I was going to say "peddle," but I won't—give the same line of talk with regard to a public building at Tofino, which building he practically promised me?

Mr. CARDIN: Yes.

Item agreed to.

Harbours and Rivers

Nova Scotia

Big Bras d'Or—wharf extension, $6,000.
Broad Cove Marsh — breakwater extension, $7,100.
Brooklyn—dredging—revote, $20,000.
Caribou Harbour—breakwater, $10,000.
Crescent Beach—protection work, $2,800.
Digby—harbour improvements, $45,000.
Dingwall (Aspy bay)—harbour improvements, $10,000.
Drum Head—dredging, $15,700.
East River locks—removal of walls, $36,100.

Freeport (North East cove) — breakwater, $9,500.
Gabarus—dredging, $10,000.
Iona—wharf extension, $13,500.
Liverpool—dredging, $20,000.
Moose Harbour—improvements, $3,000.
Pictou Landing — wharf improvements, $20,100.
Port Hood — closing northern entrance, $25,000.
Seal Island—breakwater, $12,300.
Sydney—wharf extension and warehouse, $75,000.
Yarmouth harbour — dredging, $143,000.

Mr. MacNICOL: There are three items in this vote about which I should like to ask.

Mr. CAMERON (Cape Breton): Before the item carries I should like to ask the minister a question concerning projects intended especially for relief. As I understood from the discusison this afternoon, some of these projects are not specifically for relief purposes. On what basis are those intended for relief selected by the department? I have in mind the item of labour, for instance.

Mr. CARDIN: It is very difficult to draw the line, and to answer the hon. member's question directly. In dealing with estimates for the Department of Public Works we have kept in our mind the desirability of undertaking certain works which might relieve unemployment in a locality. It is a matter of judgment as to whether one project would provide more work than another, and would relieve unemployment in a locality to a greater extent.

These estimates are not what could really be called relief estimates. The relief assistance given by the government is given by the Department of Labour. In each case we decide more generously than is the custom to undertake a work with a view to providing employment in a locality and to a certain extent relieve unemployment, although we execute a work which one day or another would have to be undertaken by the government. The main object of these estimates is not to relieve unemployment but to undertake now, in view of the large amount of unemployment, certain works that might otherwise be postponed. By making these expenditures now, instead of next year or the year after, we are not only doing work that is necessary but helping to relieve the difficult unemployment situation by providing work in different localities where it is needed. To draw the line between what is strictly relief work and what is not would be very difficult, and we do not start from that basis because relief, of course, is primarily a matter for the Labour department. We are advancing the program of the Public Works department a little bit in order to relieve unemployment. I do not know whether with my incomplete knowledge of English I have made myself clear to my hon. friend.

Mr. CAMERON (Cape Breton): The minister has made it perfectly clear so far as I am concerned, and I am going to take that one statement of his, that on occasions public works are advanced a little bit where it would serve the double purpose of providing a useful public work and helping to relieve unemployment. Taking that as a basis, with which I thoroughly agree, I desire to direct the minister's attention to a small undertaking which I sought to have carried out in the harbour of North Sydney. This work was intended as a shelter for fishermen at that port. Some work was undertaken in that regard by the former government, and a considerable amount of dredging was done last fall at a place popularly known as Ballast Ground at North Sydney. The object of that work was to provide a shelter for fishermen engaged in what is commonly called inshore fishing. Ballast Ground itself formed a fairly good shelter for the boats, but it was felt that it was not sufficient, and the late government sent a dredge down there last fall and opened up a small shelter for the boats inside Ballast Ground. But the work stopped there, with the result that the shelter which the boats had is now taken away from them, and the shelter intended to be prepared is not completed. Since last December I have pressed this on the officers of the department both as a necessary public work and as a matter of relief, and in view of the groundwork laid by the minister here this evening, that the rule of the department is to "advance" a public work where it would furnish relief, I cannot understand why this work is postponed. I say that particularly because there is not a single bit of accommodation for these fishermen at North Sydney. The department has placed in the estimates a vote of $75,000 for an extension to a wharf five miles up the harbour at Sydney, where there is some accommodation, not sufficient, I admit, but still some accommodation, and I have been unable, speaking on behalf of the fishermen of North Sydney, to obtain any accommodation for them at all There is some dredging required to complete the work, and I am informed that it has been postponed until late in the fall as the only dredge available has been sent to another portion of the riding to carry on work there.

I was glad to hear the minister say that he has not completely shut the door on a necessary public expenditure, and I sincerely hope that his departmental officials will yet see the reasonableness of the request made by the fishermen of North Sydney. I understand that a petition largely signed has been sent in to the department within the last few days. Perhaps the minister has not received it yet, but I understand it is on the way, and I hope before parliament prorogues this matter will be given consideration.

Mr. MacNICOL: I would ask the minister why the votes for Dingwall, Iona and Port Hood were not included with votes for the same purpose on page eight of these special supplementaries.

Mr. CARDIN: The information I have here with reference to Dingwall is that this further amount is required in addition to the amount of $6,600 provided in the main estimates, to complete the reinforcement of the breakwater under contract with Mr. Walter L. Ball of Cheticamp, Nova Scotia. The amount of the contract is $45,927. The district engineer reported that the reinforcement work is necessary due to severe action of the teredo and storms.

Mr. STEWART: Is the last item $143,000, dredging of Yarmouth harbour, new work?

Mr. CARDIN: Yes.

Mr. STEWART: Just where is the work to be done?

Mr. CARDIN: It is for dredging in the channel in Yarmouth harbour.

Mr. STEWART: I thought we had made provision for pretty well taking care of that in the estimates of the previous year. A large sum was provided to give the necessary accommodation for two large steamers that came up from Boston and New York.

Mr. CARDIN: The work we are proposing to undertake is in the channel.

Mr. STEWART: There was some work required in the basin, close to the wharf; and also near Bug light.

Mr. CARDIN: The work in the basin has been completed, this work is in the channel.

Mr. STEWART: At what point in the channel?

Mr. CARDIN: This is to do away with a very difficult curve which the vessels have to navigate.

Mr. STEWART: Does the minister think this will complete the dredging of the channel to make it satisfactory for these vessels?

[Mr. D. A. Cameron.]

Mr. CARDIN: No; I am informed that this is not going to complete the work. It will require a larger amount of money to complete it.

Mr. STEWART: Has the minister the estimate of the total amount required to put the channel into good shape?

Mr. CARDIN: No.

Item agreed to.

New Brunswick

Barachois—wharf extension, $7,000.
Bathurst—dredging, $22,700.
Black's Harbour—improvements, $3,500.
Campbellton—wharf improvements, $20,000.
Durham—wharf extension, $25,000.
Fort Dufferin—breastwork repairs, $33,000.
Harvey Bank—wharf extension, $24,000.
Ingall's Head—breakwater extension, $60,000.
Little Cape—breakwater extension, $5,000.
Little Chockfish—breastworks and breakwaters, $5,000.
Little Lameque—wharf repairs, $13,000.
Portage Island—breastworks, $10,000.
St. John (Negro point)—repairs to harbour works, $50,000.
Tracadie harbour—dredging, $40,000.

Mr. STEWART: Are these new works?

Mr. BENNETT: There is a large sum for dredging at Tracadie, for a small port on the north shore as compared with other places.

Item agreed to.

Quebec

Amos—wharf extension, $3,325.
Anse a Beaufils—repairs to harbour works, $15,000.
Anse a Brillant—fishing harbour, $45,000.
Belœil—protection work, $7,700.
Black River—dredging—the provincial government to contribute a like amount, $4,000.
Bonaventure—protection work, $9,000.
Cap Chat—protection work, $7,700.
Chandler—wharf repairs, $7,000.
Cross Point—dredging, $12,000.
Etang du Nord, M.I.—harbour improvements, $25,000.
Granby—protection work, $6,000.
Gros Cap, M.I.—landing pier, $3,100.
Havre Aux Maisons, M.I.—wharf, $6,500.
Lac Duparquet—wharf, $2,600.
Lac Rouyn (Mercier)—wharf, $2,300.
Lanoraie—extension to protection wall, $2,800.
Laprairie—icebreakers, $4,200.
Laprairie—repairs to dyke, $28,000.
Lavaltrie—extension to protection wall, $3,100.
Lévis—wharf, $50,000.
Malbaie—small landing pier, $1,780.
Matane—extension to east breakwater, $60,000.
Mont Louis—protection work, $5,600.
Moffette—wharf, $3,500.
Moisie—protection wall extension and repairs, $2,500.
New Richmond—protection work, $7,000.

Notre Dame de Pierreville—protection wall, $16,000.
Notre Dame de Pierreville (Chenal Tardif)—icebreaker, $3,200.
Notre Dame du Portage — wharf repairs, $10,000.
Paspébiac—wharf extension, $46,000.
Peninsula—wharf extension, $2,600.
Petite Rivière St. François—wharf extension, $15,000.
Petite Vallée—wharf extension, $27,000.
Pointe Claire — completion of approach, $2,000
Pointe du Lac—protection work, $10,000.
Pointe Jaune — improvements to fishing harbour, $27,000.
Pointe St. Pierre — wharf reconstruction, $12,500.
Richelieu river—improvement of river and Chambly canal system, $500,000.
Rimouski—harbour improvements, $150,000.
Rivière aux Rats—wharf, $4,900.
Rivière Beaudette—protection work, $2,000.
Rivière Blondelle—protection work, $5,200.
Rivière des Hurons — contribution towards dredging, the balance of cost to be borne by the province, $75,000.
Ruisseau Pariseau — contribution towards dredging, the balance of cost to be borne by the province, $15,000.
Ste Anne des Monts (river)—extension of training pier, $8,000.
St. Antoine de Tilly—wharf reconstruction, $17,000.
St. Etienne de Malbaie (Casgrain wharf)—fill spans, $5,000.
St. Godfroy (Rivière Nouvelle)—protection work, $16,650.
St. Grégoire de Montmorency—repairs and completion of protection wall, $5,000.
St. Maurice river—dredging, $18,000.
St. Michel des Saints—extension to protection works, $1,800.
St. Omer—raising protection work, $4,400.
Ste. Rose—protection wall, $4,900.
St. Simeon de Bonaventure—protection work, $12,200.
Saguenay river—dredging, $200,000.
Sorel—harbour improvements, $85,000.
Tadoussac (Anse Tadoussac)—wharf improvements, $15,000.
Val Barette—protection work, $3,000.
Varennes—protection wall, $15,000.
Verchères—protection wall, $10,000.
Victoriaville—protection work, $5,000.
To provide for payment of salaries and expenses in connection with the investigation in Canada of the improvement of the waterway from Montreal through lake Champlain to the Hudson river, $20,000.

Mr. STEWART: Are these all new items?

Mr. BENNETT: There is one item with respect to which there will have to be an extensive explanation, namely, $500,000 in connection with the Richelieu river. It will be observed that there is also $200,000 for dredging on the Saguenay river and $20,000 to provide for payment of salaries and expenses in connection with the investigation in Canada of the improvement of the waterway from Montreal through lake Champlain to the Hudson river. This is a matter of first importance.



Mr. CARDIN: Perhaps I should say a few words on these items, for I realize their importance.

Mr. STEWART: I notice in the main estimates in connection with Richelieu river improvements, an item of $122,000. Perhaps the minister would discuss that in connection with the item before us, showing the relation, if any, between the two.

Mr. CARDIN: This is a revote of a contract which was awarded last year for the deepening of the Richelieu river from St. Ours to the Chambly canal.

Mr. STEWART: Is one item a continuation of the other?

Mr. CARDIN: Yes. It is a project for developing the Richelieu river, deepening it and improving the channel. It is not a new undertaking, having been before the department for a number of years, going back as far as 1902. In 1907 also, proposals were placed before the department for the development of the Richelieu river and the improvement of the channel for navigation in that river; and if my memory serves me, the information I obtained was that as far back as 1913 the department was practically ready to ask for tenders for the construction of a regulating dam which was to be built between the city of St. Johns and Chambly, in order to regulate the flow of the Richelieu river and at the same time to protect the low-lying lands above St. Johns, between St. Johns and the boundary line near lake Champlain. This project was not gone on with owing to the war, which broke out in 1914. The question has been before the department for a considerable time. The Richelieu river has been dredged from the St. Lawrence up to St. Ours, and the lock at St. Ours was rebuilt a number of years ago, with the same depth and the same dimensions as the locks and canals in the American territory, from lake Champlain to the Hudson river.

Mr. BENNETT: What is the depth?

Mr. CARDIN: Twelve feet. That is the depth of the New York state barge canal which runs from lake Champlain to the Hudson river. The St. Ours lock was rebuilt by the Department of Railways a few years ago at the same depth and with the same dimensions as the New York state barge canal, and in 1934 or 1935—I believe it was 1935—a contract was awarded for the deepening of the Richelieu river from St. Ours, which is being carried out to a depth of twelve feet up to Chambly, making it twelve feet from the St. Lawrence up to Chambly. What I

propose here is the building of the dam which was proposed many years ago to regulate the flow of the Richelieu river for the purpose of protecting the low-lying lands above St. Johns and at the same time to shorten the length of the Chambly canal by half. If that regulating dam between St. Johns and Chambly is built, the distance being twelve miles, it will reduce the length of the canal by six miles.

Mr. BENNETT: Using the river instead of the canal.

Mr. CARDIN: Yes, on that section. This project for the development of the Richelieu river is one which the United States have had in mind. One project which the authorities there referred to the International Joint Commission is a canal starting from lake Champlain and passing through American territory to St. Francis lake outside Montreal. What they contemplate is a canal of twenty-five or twenty-seven feet and approximately of the same depth as the proposed St. Lawrence development. That is one of their projects, and another is to have a similar canal started from St. Johns; that is, twenty-two miles in Canada from the boundary and running from there to somewhere near Laprairie. This would be entirely an inland canal and would be of the same depth as the first project, running through lake Champlain to lake St. Francis. The third is a project which would include the reconstruction of the Chambly canal, starting from the Chambly basin at the foot of the Chambly canal. The canal would be dug from that place up to a point near Montreal—Longueuil or Laprairie or St. Lambert. Those are the three main suggestions which the United States authorities have referred to the International Joint Commission. The fourth one is a purely Canadian project, having for its object the development of a purely Canadian watercourse.

Mr. BENNETT: As a matter of fact, No. 4 has been in use for years but was allowed to go into disuse.

Mr. CARDIN: The Chambly canal was built a long time ago, but it is not used to-day as it should be, because the depth is only five and a half or six feet. When I was a boy I used to see the Richelieu river at and above Sorel practically full of canal boats carrying all sorts of goods and materials from Quebec, Three Rivers, Montreal and even Ottawa. Many of these canal boats would start from Ottawa and go to Montreal and as far as Sorel, going through the Richelieu river and on to the United States. To-day, however, as we know, these small boats are no longer in operation; they cannot be run to advantage. The size of the boats has been increased materially and it is impossible to take advantage of this natural and important waterway, which is second to the St. Lawrence. Advantage cannot be taken of it owing to the size of the boats operated at the present time.



Mr. BENNETT: It is a matter not of widening but of deepening.

Mr. CARDIN: And widening to a certain extent as well, because the canal is very narrow. But even in its present condition that water route is extensively used, and increasingly so every year, by the paper manufacturing companies of the province of Quebec and even by shippers in Ontario.

Mr. BENNETT: And by pleasure boats.

Mr. CARDIN: And pleasure boats as well. It is a natural route, and in my opinion it is advisable to revive this whole proposal and try to develop this purely Canadian route. There is no danger that we shall suffer in any way from this development. The depth that we contemplate is between 12 and 15 feet. That would be sufficient, according to the reports which we have from the companies, for navigating much larger boats than they are using at the present time.

Mr. BENNETT: It would be no good to make it 15 feet if the American canals are only 12 feet.

Mr. CARDIN: No. The proposal is to make it twelve feet at the present time. I do not want to hide anything.

Mr. BENNETT: I understand that. What is meant by the item that is connected with it on the other side?

Mr. CARDIN: Of $20,000?

Mr. BENNETT: Yes.

Mr. CARDIN: That is to meet the expenditures of the survey parties working at the present time with the American engineers on the proposals to be placed before the International Joint Commission.

Mr. BENNETT: That is on lake St. Francis, is it not?

Mr. CARDIN: Yes, on three projects, lake Champlain to lake St. Francis; St. John to Laprairie; Chambly to Laprairie, and the fourth, the Richelieu river. The American engineers have estimated that the project through the Richelieu river is worthy of being studied and considered. This sum of $20,000

is to cover the expenses of the survey, to inform the Canadian section of the International Joint Commission in their discussion with the Americans regarding the project. Of course I am incapable of going into the technical details that the engineers have given in their report of the project for the development of the Richelieu river, but I feel that generally speaking it is a good policy for Canada to undertake the development of so interesting a natural watercourse as the Richelieu River. Since the opening up of Canada that river has been used for transporting goods; even in the first days of the colony it was so used.

Mr. BENNETT: Three hundred years ago.

Mr. CARDIN: Yes; and later on the governments of Canada attempted improvements of that river and the canalization, because they built that old Chambly canal a long time ago. We are developing that water route only in order to bring it to the present needs of our trade and commerce. Besides this large aspect of the problem, the development of the Richelieu river is going to prove very important for all the localities situate along its banks. It affects the counties of Richelieu, Verchères, St. Hyacinthe, Iberville, St. John, Missisquoi, Chambly, Rouville, and also Huntingdon.

Mr. BENNETT: You have got them all now, so it won't make much difference.

Mr. CARDIN: I do not think I can add anything to the general statement I have made. I ask the committee to consent to the item.

Mr. STEWART: Assuming that one of the three first projects which the minister outlined as having been suggested by the American government should be undertaken at some later date, what would be the effect upon this work if one of these other projects was completed? Would it be to render this of practically no value?

Mr. CARDIN: No, because, as I said, this development of the Richelieu river is undertaken as a purely Canadian enterprise; it will provide a channel only twelve feet deep; and it is going to be useful to the residents of the counties that I have just enumerated. It will also be a natural link between the St. Lawrence and lake Champlain. Even if the other projects were carried on we still must consider the development of our own proper channels and the dredging of our own rivers, which can render useful service even though the other projects are undertaken. Suppose, for example, that the first proposal of the Americans is accepted; that is, the building of a canal from lake Champlain to lake St. Francis, traffic coming from above Montreal would go right through to lake Champlain, the Hudson river, Albany and New York.

Mr. BENNETT: That would cut out the harbour of Montreal, using the Richelieu river entirely.

Mr. CARDIN: Exactly. So we would still have to consider the desirability of developing the river Richelieu to a depth of twelve or fifteen feet for our Canadian use, if I may so phrase it. It would help materially the traffic of the east, and this development is of importance to Three Rivers and even to Quebec and Montreal.

Mr. BENNETT: Does the minister think we should spend any money, either on surveys or otherwise, for the purpose of cutting a canal from lake St. Francis to lake Champlain? The effect of it, obviously, would be to create business for the port of Albany. There is no question about that; we might as well face it frankly: it would certainly divert traffic entirely into the Hudson river and the new port of Albany. In my opinion we should think a long time before we spend a dollar either for surveys or for expenditures on that project. Let us assume for the sake of the argument that it is possible and feasible: what we should be doing would be spending our money just for the purpose of destroying our own ports. The little study I was able to give the matter some time ago convinced me that this is one of the projects to which we are not warranted in giving any consideration.

Mr. CARDIN: I quite see the point made by the right hon. gentleman. However, conceding my ignorance of the terms of the treaty between England and the United States establishing the International Joint Commission, I think we could not refuse to study the problem which the Americans have submitted to the International Joint Commission.

Mr. BENNETT: I see the minister's point.

Mr. CARDIN: This study is to inform our representatives as to the conditions. At the same time the survey that is to be made will be helpful for the development of the Richelieu river, because the four projects are going to be studied at the same time.

Mr. BENNETT: Yes, but this was on an entirely different basis.

Mr. CARDIN: I admit that.

Mr. BENNETT: There is no relation of one to the other. I have been fearful from the time I first saw the announcement in the paper; and I think most Canadians are. The Richelieu river project is one that needs no support from any quarter; it is merely for the purpose of surveying what it always has been, a drainage river running south from the main St. Lawrence. It has been utilized for two or three centuries—two and a half centuries, anyway—for going down to that country; it could never become a serious menace to our own ports with respect to transatlantic shipments. I think that is reasonably clear, because I assume we should not go beyond the twelve foot depth provided for by the Americans in their canals. But when you get to discussing the question of a canal from lake St. Francis to lake Champlain you are dealing with an entirely different matter, because it means the diversion of traffic coming down the St. Lawrence river, at lake St. Francis, into a canal that carries it to lake Champlain, and from there to Albany and the Hudson river, and that means going out of New York harbour to the open sea. The money that has been spent on Albany and the facilities of that port are perhaps little known to Canadians who have not given much study to the matter. The Hudson river from Albany to New York, or to the mouth of the river, is now available for very large seagoing ships carrying a larger quantity of grain than is carried by the tramp ships out of Montreal during the grain season. From 250,000 to 275,000 bushels would be a fair cargo for the average run of tramp ships that ply between Montreal and the continent of Europe. I must say that when I saw that this matter had been referred to the commission, I felt that it was one for which, if we could avoid it, we should not undertake any responsibility, for the reason I have indicated. I ask the minister whether or not he thinks, in view of the present financial conditions to which the Minister of Finance directed attention the other day, we are warranted in making this appropriation at this time. That is what it means. We may as well face it frankly. I use that word with great precision in this case. Here we have over $1,600,000, which the minister says is not calculated for relief alone, and more than $800,000 for Ontario in the following item. These two together make a total of more than $2,500,000, of which $200,000 is for dredging in the Saguenay river; $85,000 for Sorel harbour improvements, in view of the elevator that is to be constructed there, east of the port of Montreal, and a further expenditure of $150,000 in Rimouski for harbour improvements. Is this country in a financial position to stand that sort of thing at this time, in view of what was said to us by the Minister of Finance the other day? I quite understand the main estimates; I quite understand a reasonable amount of supplementary estimates the year following an election, but when I look at these appropriations, knowing what I have learned as to just what they involve, I wonder whether or not we are in a financial position to stand that sort of thing.

Mr. STEWART: I should like to ask if this appropriation of $500,000 will complete the work in the Richelieu river.

Mr. CARDIN: Oh, no.

Mr. STEWART: Will it make the canal useful?

Mr. CARDIN: Oh, yes.

Mr. STEWART: Will it just complete one section of it?

Mr. CARDIN: Yes, that is my information.

Mr. STEWART: It will do one section?

Mr. CARDIN: Yes.

Mr. STEWART: That will not be of much use unless the other section is completed, will it?

Mr. CARDIN: No.

Mr. STEWART: Can the minister tell us how much he thinks will be required to complete the remaining section, which will make this expenditure useful?

Mr. CARDIN: It is very hard for me to state what amount will be required to complete this work, because the plans for the reconstruction of the channel have not been prepared as yet and no survey has been made to ascertain what it would cost or what would be the requirements for the reconstruction of the canal. Some time or another, however, that canal will have to be repaired and reconstructed, or it will have to be abandoned. It is a very old structure and in the course of a short time it is going to be useless unless something is done, so at some time or another, now or later, we shall be forced to either do something to the Chambly canal or to abandon it.

Mr. STEWART: Apparently this expenditure will commit the Dominion of Canada irrevocably to the expenditure of a very large amount of money, just how large the minister is not able to give even an estimate to the committee.

Mr. CARDIN: No definite estimate.

Mr. STEWART: I submit that this is not a very sound policy.

Mr. CARDIN: At one time I made an estimate, but it was a risk; it was a mere guess, but since that time it has been taken as a definite statement.

Mr. STEWART: I think the minister will agree that it is a sound policy that parliament ought not to be asked to make an expenditure of this kind without knowing in a fairly accurate way what will be the ultimate commitment. I am sure that is a policy which the minister will agree is sound.

Mr. CARDIN: I have a rough estimate; there is nothing definite about it, and I want that very clearly understood, but I am told that when the whole project is completed it may cost in the vicinity of $8,000,000. That is only a rough guess because, as I have said, the engineers have not had an opportunity to make the necessary surveys in order to ascertain what the reconstruction of the canal is going to cost. Let me repeat, however, that some time or another we are going to be faced with the necessity of either doing something with that canal or abandoning it. It is a very old structure; before long it is going to cost a great deal for repairs, so why not start now? The project is not going to be completed this year, next year or even within two years; I am told that it will take four years and possibly longer before it is really completed.

Mr. BENNETT: The last appropriation, I should think, would be just before the next election.

Mr. CARDIN: It may be even after another election.

Mr. STIRLING: What will be the chief freight carried on this canal eventually?

Mr. CARDIN: All kinds. It may be coal; it may be pulp and paper. A great deal of pulp and paper is being shipped out that way now, and there will be the great variety of freight which is transported in that section of Canada. The farmers and merchants of that region may also take advantage of navigation on that river.

Mr. BENNETT: How far east of Montreal is the mouth of the Richelieu river?

Mr. CARDIN: Fifty miles.

Mr. STEWART: This seems to me to be a case where the work to be undertaken does not meet either of the fundamentally sound propositions laid down by the minister in connection with work of this kind. They were: first, that the work should be useful and, second, that it should afford employment for those out of work. I take it that the expenditure of this amount of money is not going to result in anything useful, except doing an instalment on a work that must be done some time. We all know that dredging does not afford a very large measure of employment.

Mr. CARDIN: Dredging is a small part of the undertaking.

Mr. STEWART: Does the minister say that the amount to be expended on dredging under this item will be small?

Mr. CARDIN: Yes, relatively small.

Mr. STEWART: What will be the other work, the reconstruction of the canal?

Mr. CARDIN: Yes, the reconstruction of the dam and of the canal, which is all cement work, of course, which is a kind of work that will provide much employment.

Mr. STEWART: Then I revise my statement with respect to that; I thought a large part of the money was to be spent on dredging which, as the minister knows, does not afford a large measure of work for those out of employment because it is all done by machinery. It does seem to me, however, that the other objection is sound, that this is not really a useful work at the present time. This expenditure of money is not going to advance us any further; it will not bring about any results, and it seems to me that the minister should hesitate to ask parliament at this time to make an expenditure of half a million dollars which, as I say, will commit the country to a further expenditure of an unknown sum which the minister says may be $6,000,000 or $8,000,000, and which may run to $10,000,000 or $12,000,000. I really think it is a very serious matter in view of the financial situation of Canada at the present time and the comparative uselessness of the work to be done.

Mr. BENNETT: Why should we spend $200,000 at this time for dredging in the Saguenay? That is a pretty large item.

Mr. CARDIN: I am informed that there are certain sections of the river in which the depth of water is not sufficient, and this dredging will connect the harbour with the deeper sections of the river.

Mr. STEWART: Does the minister mean the harbour of Chicoutimi?

Mr. CARDIN: Yes.

Mr. STEWART: This is to afford access to Chicoutimi harbour?

Mr. CARDIN: Yes.

Mr. STEWART: To improve the channel to Chicoutimi?

Mr. CARDIN: Yes.

Mr. STEWART: What length of channel is involved in this improvement?

Mr. CARDIN: There are seven miles.

Mr. STEWART: Seven miles of channel which will be improved?

Mr. CARDIN: Yes.

Mr. STEWART: Will this expenditure complete the work in that channel?

Mr. CARDIN: No, it will take, if I remember aright, another $100,000. I asked the whole amount, but I am sure my hon. friend as Minister of Public Works has gone through the same experience; we prepare estimates and when we place them before the treasury board we are forced, in order to help the Minister of Finance to come nearer to balancing his budget, to make certain reductions. In the list I submitted I provided an amount which would practically complete the work but I was forced to reduce it, because this amount is all that could be spent during the season.

Mr. STEWART: Will this afford any real relief without the further expenditure that the minister mentions as being ultimately needed?

Mr. CARDIN: Well, it means certain assistance. Even if it is true that dredging does not employ large numbers of men directly, yet that machinery which is being used for dredging is built and maintained and repaired by other men, who get employment that they would not otherwise get. I admit it is not as productive from the point of view of employment as the building of a dam, but this is to permit taking advantage as much as possible of the facilities which have been established in the port of Chicoutimi for vessels navigating the Saguenay river, permitting them to reach the port without having to wait for the change of level by the tide.

Mr. STEWART: Perhaps I did not make my question clear. What I wanted to know is whether the expenditure of this money will enable any vessel to get to the wharves at Chicoutimi that cannot now get up?

Mr. CARDIN: Yes.

[Mr. Cardin.]

Mr. STEWART: Or whether there will have to be further expenditure?

Mr. CARDIN: Vessels cannot now go every hour of the day to the wharves at Chicoutimi; they have to wait until the water rises as a result of the tide, but when that dredging is completed the vessels will be able to go there every hour of the day.

Mr. STEWART: I understand that, when it is all completed, but with the expenditure this year will they be able to reach the wharves?

Mr. CARDIN: With the expenditure this year the work will not be completed, so they will not be in a position to take full advantage of it, but it is a start towards completing the channel.

Mr. BENNETT: Are not these the facts: that the Chicoutimi harbour commission was created in 1925-26 for the purpose of building a harbour at Chicoutimi; that the harbour never should have been put there; that the only place that there should be a harbour is at Ha! Ha! bay which is across from there; that now that the harbour has been built, unless dredging goes on, there will be no practical use for those wharves or that harbour for steamers of a draft of, I think, eighteen feet—I forget the exact figure; leave that out for the moment, but for steamers of substantial tonnage—and that this proposal to spend $200,000 will have the effect only of accentuating the value of the harbour at Ha! Ha! bay and indicating how absolutely useless this Chicoutimi harbour is because it will fill in again with the currents as they have been all these ages. It is a sandy bottom, I am told, and silt and sand will fill the very channel that you dredge. That is my information, that there is no justification for it, never has been. The minister of transport to be has been dealing with the harbour; we know exactly the money that has been spent and the money that is to be spent; we know the circumstances under which the harbour came into being, and we know that the harbour across the way is the one which is being used by large ships that load paper from the big mill which sends its product down to that harbour. Under these circumstances can we justify in these days the expenditure of this money for that purpose?

Mr. DUBUC: May I be allowed to correct the statement of the leader of the opposition. The harbour of Chicoutimi when the channel is straightened out will be able to accom-

modate steamers of any draft up to thirty feet, and if the coal and paper have to pass by Ha! Ha! bay it means an extra charge of $1.50 to $2 a ton.

Mr. BENNETT: Because there is no wharf there. The wharf is at Chicoutimi.

Mr. DUBUC: There are three thousand feet of docks at Chicoutimi with thirty feet at low water and all the facilities to load—

Mr. BENNETT: And none at Ha! Ha! bay.

Mr. DUBUC: —for the pulp or paper and the coal required to maintain that industry, which is at the end of navigation on the Saguenay river.

Mr. STEWART: There is an item, Rimouski, harbour improvements, $150,000. Would the minister outline what is required there?

Mr. CARDIN: This is to provide additional wharfage facilities in the port of Rimouski. During the last season and the previous one very great quantities of wood have been shipped from Rimouski. It is the centre of distribution for all the supplies that are needed on the north shore of the St. Lawrence.

Mr. BENNETT: How much money has been spent there during the last few years?

Mr. CARDIN: In the vicinity of $100,000, I am informed. There is only a small wharf there which at certain periods is crowded, and vessels have to wait even several days before getting their turn at that wharf. I am satisfied from the figures which have been placed before me that the traffic justifies the development of that harbour. I am not sure whether it is 35,000,000 feet of wood or more that have been sent to England from that port. It is not only for coasting vessels; ocean vessels are loading planks and boards there for shipment to England.

Mr. BENNETT: They do not load at the wharf; they anchor out in the road, do they not?

Mr. CARDIN: No, they load at the wharf

Mr. BENNETT: Large ocean ships?

Mr. CARDIN: Yes, but there is a limited section of wharf at which they can load. There is ample justification for the development of Rimouski; there is no doubt the traffic is there, and the present facilities are quite inadequate.

Mr. BENNETT: What length of wharf will this construct, and how far out into the road? To what extent will this add wharfage facilities?

Mr. CARDIN: The idea is to develop the inside section of the harbour, about one thousand feet, to give berthing facilities to three or four ships.

Mr. STEWART: Does this involve dredging?

Mr. CARDIN: A certain amount of dredging.

Mr. STEWART: Would there be some revenue from the traffic over this wharf?

Mr. CARDIN: Yes.

Mr. STEWART: I know that revenue is collected not by the minister's department, but by the Department of Marine.

Mr. CARDIN: Yes.

Mr. STEWART: Has the minister any information as to the amount of revenue?

Mr. CARDIN: No, I cannot say. The revenues of this harbour, as well as those of Sorel harbour, and others, are collected by the Department of Marine, according to a schedule of fixed rates for wharfage dues in the harbour. There is a schedule which applies to all harbours that are not governed or directed by the harbour commissioners.

Mr. CAMERON (Cape Breton): What would be the annual traffic over the Chambly canal?

Mr. CARDIN: I cannot say what the traffic would be over that canal, when it is completed. I am informed that when the St. Lawrence canals had no greater depth than the Chambly canal the traffic on the Chambly canal was greater than that on the St. Lawrence canals.

Mr. BENNETT: But the Chambly canal is only six or seven feet, is it not?

Mr. CARDIN: At present it is six, but most of the time during the summer season it is only five and a half feet. At one time the St. Lawrence canals had the same depth.

Mr. BENNETT: At one time there was no canal there at all.

Mr. CARDIN: But when the depths were the same the traffic was greater on the Chambly canal than on the St. Lawrence canals. Of course the St. Lawrence canals have been deepened on several occasions and there is no comparison now as to the traffic.

Mr. BENNETT: I want to ask the minister this: Does he not think he should reconsider this item? I put the situation to him fairly, and then I am through. First of all he asks for $60,000 for a breakwater at

Matane, and he will tell me, no doubt, that that is another north shore harbour which has to be looked after and, I suppose, is very important. Then we come to the next one, a vote of $46,000 for Paspebiac wharf, and then a vote of half a million dollars for improvements in the Richelieu river, just an earnest for $8,000,000. Does it not look like the Montreal harbour bridge? There are $8,000,000 in sight, and that means $10,000,000. To use the language so familiar to some of my hon. friends the ante is a half a million, that is all. Is that quite fair to Canada at this time?

Then, the next one is a vote of $150,000 for harbour improvements at Rimouski. All along the coast of New Brunswick and Nova Scotia in years gone by ships used to lie in the roads and loaded with deals from scows. They did not expect to have a wharf at every door. Rimouski has had $100,000 spent on it during the last two years for purposes of providing it with wharf accommodation facilities for schooners and smaller vessels, and if ocean-going steamers come to take deals there is no reason why they should not do what is done, for instance, at Ha! Ha! bay, namely load from scows or barges where there is not sufficient wharfage accommodation.

Coming to the next item we find an expenditure of $75,000 for a contribution towards dredging at Rivière des Hurons, the balance of the cost to be borne by the province. If the dominion is getting half in this case, why is it not getting half on a dyke being put up at Laprairie? That work stands in the same position. Having regard to the claims made so successfully by the province with respect to waters, as distinguished from navigation—property in the waters—why should we have half paid by the province in this item, when we have not in other cases?

Then we turn to dredging in the St. Maurice river. I can understand that dredging must be done there, because Three Rivers is an important port connected with the shipment of paper to various countries of the world. But we come next to a vote of $200,000 for dredging in the Saguenay river, which serves no purpose unless a still larger sum is expended. That is, the expenditure of $200,000 must be followed by another expenditure perhaps as large, or perhaps much larger, because, as a report of engineers indicates, the silt and sand will fill in during a winter to the extent it has been taken out in the preceding summer. It is one of the finest dredging contracts in the world.

The next item is an expenditure of $85,000 for Sorel harbour improvements. I have every sympathy with the minister's love of his native community. Sorel is a port at the mouth of the Richelieu river, is it not?



Mr. CARDIN: Yes.

Mr. BENNETT: That is another Richelieu expenditure. There is already an item in the main estimates, which the minister tells me is not to be regarded as being too closely connected with this one. But is it not desirable to consider whether or not we should move at this time in connection with projects involving large expenditures? You see $10,000,000 is involved in these expenditures, and $10,000,000 becomes a matter of great importance to the Minister of Finance and to the people of Canada at this time. Can we afford to do it? I suppose most hon. members are familiar with the statement not long since of a very famous American. He said, "We must make up our minds there are many things that we want that under the present system we cannot have, unless we are prepared to destroy the system." Then we would not have it. I put these facts to the minister, and I do not wish to urge the matter further. I do suggest, however, that he should give the matter the most careful consideration and should consider whether or not the item could be revised.

This item does call for careful consideration, and without anticipating something which is not yet before the committee could he not consider whether the government is warranted in spending the large sum of $180,000 at the port of Port Arthur for harbour improvements? On one occasion I went over that work with great care, to satisfy myself about it, and I shall make special reference to it when the item is under discussion. However, I do ask the minister to give careful consideration to that phase of the matter.

Mr. CARDIN: I think it is universally agreed in Canada that the best method of combating unemployment is to make expenditures which are considered justifiable. It is believed to be much better to make those expenditures for useful purposes, although all the benefits may not be derived in the first year, than to give money for direct relief or for the maintenance of relief camps. We have spent on these relief proposals—they were necessary; I do not dispute it—millions upon millions which have been profitless. We have not received any returns, and we canot get any. Although in certain cases the justification for the expenditures indicated in these estimates may be disputed, there can be no doubt that they are works which from a certain point of view can be considered justifiable.

The development of our railways, our highways and our waterways have the same object in view, namely the development of Canadian trade. It is with that object in view that we have felt it desirable to place these amounts in the estimates. Although it may be said, "Well, now, let us wait another year," we must remember that those who are in need of the opportunity to earn money cannot wait another year. It is better to provide works so that they may earn their daily bread than to hand them the dole in its most offensive form.

Mr. BENNETT: I understand that.

Mr. CARDIN: I admit that these estimates may be considered a little large at the present time, but they have been submitted to the Minister of Finance, and he felt that even with these expenditures he was capable of preserving the financial condition of our country. These are useful works. As I said a few moments ago, some of them, the Chambly canal for instance, have to be undertaken one day or another. Something has to be done at some time or another. I really believe we are justified in asking for these expenditures, and as I said before, the large amount of $8,000,000 for the development of the Richelieu river will be spread over a period of four or five years. It represents a very small amount as compared with other expenditures that have been made in the past, and I think the main object, the developing of our transportation facilities, deserves to be favourably received and accepted by the committee. Like the right hon. gentleman, I apprehend the difficulties through which our country is passing and the responsibilities of those charged with administering the affairs of this country, but I think in view of the experience we have gained we are justified in developing our transportation facilities in the province of Quebec as well as in other sections of Canada.

Mr. WALSH: To what depth is it proposed to dredge the Chambly-St. Johns canal?

Mr. CARDIN: To twelve feet.

Mr. WALSH: That will involve almost the building of a new canal?

Mr. CARDIN: It certainly involves the building of a new canal.

Mr. WALSH: And the amount here is only a very small initial payment towards the ultimate cost of developing that system?

Mr. CARDIN: Quite so.

Mr. WALSH: Does the minister think the amount of traffic which can be carried over that system to lake Champlain would justify the ultimate expenditure? This amount of $500,000 is only a bagatelle compared with the ultimate expenditure. Does the minister honestly think there will be enough traffic over that system to justify its development?

Mr. CARDIN: I certainly do; otherwise I would not propose this expenditure.

Mr. WALSH: What possible large traffic could we have over a system of that kind down to lake Champlain when lake Champlain itself is bottled at the far end?

Mr. CARDIN: I have already explained what I think are the justifications for this expenditure. At present, even with the limited depth of water in the Chambly canal, there is a substantial traffic passing through the canal, consisting mainly of pulp and paper shipped by the mills of the province of Quebec, and these people are very anxious that the canal be deepened in order that they may be in a position to carry further quantities of their goods through the canal.

Mr. WALSH: I have been up and down that canal quite frequently during the summer. I used to spend my summer holidays at Chambly, and I know the pulp and paper traffic has never been congested at the mouth of the canal at Chambly. There has always been ample opportunity to lock the few boats which go through. Personally I am fully persuaded that this expenditure in particular is not justified under present conditions; I am quite certain of that. I would hate to suggest any ulterior motive in a development of this kind, but it certainly does not appear to me to be justified either by the amount of freight which has gone through that canal or the amount which could go through. It is true that a considerable amount of pulp and pulpwood goes through, but it goes through on scows with a draft of four or five feet; that traffic is being amply cared for at the present time by that means, and under present conditions I do not see why the canal could not continue to handle it. I am advocating not the saving of this money, but rather the spending of it on some other enterprise where more people could be legitimately employed and more satisfaction given to the people of this country through the expenditure of this sum.

I notice another item of $10,000 for wharf repairs at Notre Dame du Portage. I had the good fortune to spend the summer at Notre Dame du Portage not very long ago, and not a vessel called at that port. We found the wharf a very convenient spot at which to swim, and that was the only use to which the wharf was put. Now it is proposed to spend $10,000 on repairing and renovating that wharf. I would neglect that wharf absolutely because there is no traffic

there, and you cannot develop any there. You have very good wharfage facilities three miles further up at Rivière du Loup. I cannot see how the minister can justify the expenditure of $10,000 on the wharf at Notre Dame du Portage. I do not think there are one hundred people living there, and as I say, there is a splendid wharf three miles away at Rivière du Loup. If the hon. member for the riding were in the house to-night—and it is his privilege to be in the house if he would be here—he would corroborate my remarks. For political reasons he might have suggested an expenditure of $10,000 at Notre Dame du Portage, but for other reasons I do not think he could justify it, in view of the fact that he is so anxious to develop ocean facilities at his home town, the beautiful Rivière du Loup.

Mr. STEWART: I wish to return to the large item for the Chambly canal. As the minister says, it is not a new item. It has been up for consideration over a period of years, and the reasons the minister has given to-night for the undertaking of this work were just as strong in the years that are past as they are now. But even in times of prosperity, when revenues were buoyant and expenditures were made more freely when they were justified, conditions never seemed to warrant undertaking this work in past years. I know it has received consideration in the last three or four years, but the reasons why it should not be undertaken were so overwhelming that it was not considered at all. I say that the conditions have not changed, but that on the contrary the reasons why it should not be undertaken at this time are stronger than ever they have been in the last fifteen or twenty years. I really think the minister ought to give this further consideration. It is a large amount and we do not seem likely to get any immediate return for this expenditure. It also means a very heavy future commitment. I do not think we ought to be asked to pass this item until the minister is able to give more definite information as to what the ultimate cost will be. I know that one of the reasons why there was hesitation in the past in submitting such a vote to parliament was that we did not know what it ultimately meant, but we did know it meant such an amount that the finances of the country in days like these did not warrant even the commencement of the work. I say that the conditions which delayed this work and rendered it inadvisable to undertake it in years past are even stronger to-night than they were before.

[Mr. Walsh.]

Mr. BENNETT: Perhaps the minister will give this item a little thought between now and next time. I have nothing more to say about it. It is opposed not because of the amount, but because of what is involved in the way of future expenditure.

Item stands.

Progress reported.

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

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## Monday, May 11, 1936

The house met at three o'clock.

### QUESTIONS

(Questions answered orally are indicated by an asterisk.)

#### SHILO CAMP PROJECT

Mr. MacKENZIE (Neepawa):

1. How many men have been kept, by months, in the Shilo Camp project since November 1, 1935?
2. How many labourers have been employed monthly other than the $5 a month men during the same period?
3. How many carpenters and other skilled workers have been employed monthly since November 1, 1935?
4. How many of these carpenters and other skilled workers were employed from the constituency of Neepawa; who were they and what was their work?
5. How many came from Brandon?
6. What officials hired the men employed, and what were his duties?

Mr. MACKENZIE (Vancouver):

1. November, 491; December, 509; January, 519; February, 664; March, 641.

2. Four (4) men—Two (2) days in November and eight (8) days in December.

3. The following skilled workers have been employed on a rotational basis of approximately 2 weeks' duration since November 1, 1935:

| | Nov. | Dec. | Jan. | Feb. | Mar. |
|---|---|---|---|---|---|
| Carpenters. . . | 47 | 29 | 34 | 28 | 29 |
| Bricklayers. . . | 26 | 15 | 12 | 13 | 14 |
| Plumbers. . . . | .. | .. | 2 | 6 | 6 |
| | 73 | 44 | 48 | 47 | 49 |

4. Carpenters, 5: From Carberry—J. Gilmore, W. Armstrong, P. Hannah, George Elliott; from Douglas—P. J. Donohue. Bricklayers, 1: From Carberry, J. Naylor.

5. From Brandon City: Carpenters, 63; bricklayers, 12; plumbers, 5.

6. All skilled workers were supplied by employment services of Canada, through Brandon and Winnipeg offices.

JAMES BEACOCK

Mr. McGREGOR:

1. On what date was James Beacock, postmaster at Myrtle, county of Ontario, dismissed?
2. What were the reasons for his dismissal?
3. How long had he held the office?
4. Had his resignation been received, and, if so, to take effect on what date?
5. Would any extra pension have been payable to him if he had held office until the date of his resignation?
6. Was the conduct of this office investigated by the postal inspector?
7. If so, what was his report?

Mr. ELLIOTT (Middlesex):

1. April 16, 1936.
2. Change of site. Postal inspector reported accommodation for office and service both unsatisfactory.
3. Appointed 1st September, 1906.
4. Yes, to take effect from 1st September, 1936.
5. Not entitled to any pension.
6. Yes.
7. See No. 2.

CRIMINAL CODE AND LAW REFORM

Mr. CHURCH:*

1. Will any legislation be brought down this session regarding the complete revision of the criminal code of Canada to bring it up-to-date, as a measure of law reform?
2. Will the government consider the appointment of a committee of both houses of parliament to study and make a survey of the whole problem of law reform in this country during the recess of parliament?

Mr. MACKENZIE KING: This question is partly argumentative and partly relates to a matter of government policy. In so far as it is argumentative, it is out of order, and in so far as it relates to government policy, that will be made known in due course.

## LOSSES IN OATS

On the orders of the day:

Hon. W. D. EULER (Minister of Trade and Commerce): On Thursday last the hon. member for Qu'Appelle (Mr. Perley) directed certain questions to me with regard to an article that appeared in the Regina Leader Post on May 4, headed:

Who pays $200,000 losses in oats deal? Ottawa inclined to deny all responsibility.

Apparently the matter has reference to the purchasing of seed oats and feed oats by Canadian Cooperative Wheat Producers Limited for the Saskatchewan government. It is alleged that a loss of $200,000 was suffered through the operation, and there is now some doubt whether the Saskatchewan government or the federal government is responsible for that loss. A similar question in the matter was addressed to the Minister of Finance (Mr. Dunning) on April 2, and a reply was made on April 6. As no negotiations whatever have taken place between the two governments since that time, I can add nothing to what was then stated by the Minister of Finance.

Mr. PERLEY (Qu'Appelle): Has the minister seen a reference in the Regina Leader Post of the next day, May 5?

Mr. EULER: I have not seen it.

Mr. PERLEY (Qu'Appelle): It states that the committee which was inquiring into the wheat business might make an order of reference; that a royal commission would be set up and to this commission there would be referred the matter of this oats deal.

Mr. EULER: The report to the house of the committee investigating the wheat situation, as my hon. friend knows, since he is a member of that committee, has not yet been prepared. It is quite within the purview of that committee, if it thinks fit so to do, to refer this question also to the royal commission. I cannot say anything further.

Right Hon. R. B. BENNETT (Leader of the Opposition): I think I shall be within my rights in saying to the hon. gentleman that the circumstances in connection with this matter are well known to me. At the instance of the Saskatchewan government, Canadian Cooperative Wheat Producers Limited was used as an agent to enable the province of Saskatchewan to acquire oats; the buying and selling of them were directed entirely by the Saskatchewan government and neither the federal government nor the cooperative enterprise had anything to do with it in any way, shape or form.

## THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Thursday, May 6, consideration of the motion of Hon. Charles A. Dunning (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the proposed amendment thereto of Mr. MacInnis.

Mr. A. B. HYNDMAN (Carleton): Mr. Speaker, as a new member, and one who for the first time is addressing this assembly,

I should like to avail myself of the privilege of congratulating you upon your elevation to the chair as Speaker of this house. I think all hon. members will agree that you are not insensible to the duties of your high office, and I am confident that you will carry out those duties with distinction and honour.

Since some other hon. members have described the constituencies from which they come perhaps it would be well for me to describe my own constituency. I represent one of the oldest constituencies in the dominion, that of Carleton county, which borders on the city of Ottawa. Carleton may not boast the distinction of quintuplets, as the hon. member for Parry Sound (Mr. Slaght) boasted of his constituency, but I venture to say that given time we may have that honour also. I noticed that the hon. member for Peel (Mr. Graydon) said his was one of the best counties in the dominion. I would go one step further and say that my constituency of Carleton is the best constituency in Canada. It has two of the great rivers of the dominion flowing through it, the Ottawa and the Rideau. We have a large hydro-electric power plant, one of the units of the provincial hydro system. We have the central experimental farm; one of the best tubercular hospitals in Ontario is located in this constituency, and last but not least we have the town of Richmond. If the Duke of Richmond had not been bitten by the fox we, as members of this House of Commons, might easily have been meeting in the town of Richmond, as the capital city of the dominion.

My constituency, Mr. Speaker, is made up of urban and rural sections; therefore I am interested in two classes of people, the urban and the rural residents. Those living in the urban sections of the riding are mainly civil servants. Bordering the urban sections there are a number of market gardeners, and then we have the rural sections where the farmers carry on mixed farming. They are not farmers of the type we know in the west; they engage in mixed farming, shipping their milk to the cheese factories and the dairies and buying and selling cattle in the spring and fall of the year. These are the people in whom I am interested, and these are the citizens of whom I wish to speak this afternoon.

First of all, Mr. Speaker, I should like to make a brief reference to the civil servants in my constituency. I want to make the clear statement now that I was absolutely against any cut in the salaries of civil servants receiving less than $3,000, and I feel that the deduction of five per cent should be restored to civil servants who have been receiving and are now receiving less than that amount. In connection with salaries of more than $3,000 I believe the cut should continue.

I am not going to make any particular comment with regard to the market gardeners in my constituency. Their position has been described in this house on other occasions, and I do not think it necessary or desirable to make any further comments in that connection. Suffice it to say that I believe our markets in the various cities should be retained, to the greatest extent possible, for the market gardeners located in close proximity thereto.

Now we come to the farmers of Carleton county, and what I have to say will apply equally to the farmers of the provinces of Ontario and Quebec and the maritime provinces, those who do not go in for the growing of wheat to any large extent but who really specialize in the raising of dairy cattle and the shipping of milk to cheese factories and dairies. Before proceeding to discuss this matter, however, I should like to compliment the Minister of Finance (Mr. Dunning) on the splendid budget speech he made in the house the other day. I think his speech was very flattering to the late administration; he outlined clearly the finances of the country and told us exactly where we stand as far as the dominion government is concerned. I do not agree with the minister when he says that our national debt amounts to something over three billion dollars; I think it is a great deal more than that, but I shall discuss that point a little later in the course of my remarks.

A moment ago I said that in my opinion the budget speech praised the administration of the Conservative government for the last five years. Several passages from that speech have been quoted during this debate, but I should like to read a few short extracts to support my contention. At page 2362 of Hansard the minister said:

> Nevertheless, one cannot view the picture broadly without realizing that improvement—however gradual—is real and steady, and that the general undertone is one of definite strength.

Again on the next page the minister said:

> For the first three months of this calendar year, 1936, manufacturing of all kinds showed an average expansion of 8·5 per cent over the first quarter of 1935.

And again:

> The forestry group of industries showed marked expansion in 1935.

And again:

> One of the most important signs of a more healthy business condition is that industrial and commercial earnings are continuing to show improvement. An analysis of the record of earnings of 241 leading Canadian corpora-

tions discloses that net earnings are about eight per cent greater for the latest fiscal year than for the previous fiscal period.

In another section he says:

A very interesting feature of our Canadian economy is the remarkable degree of stability in the price level during the last two years.

Then I come to what impressed me as the most striking statement of the minister, the one which interests me most:

Unfortunately, our most important primary industry cannot boast such results. Agriculture has again suffered from climatic hazards, restricted markets and low prices.

Not only are these statements of the Minister of Finance a tribute to the last administration, but I think the minister therein puts his finger on the crux of this whole situation. In other words, agriculture has not progressed as it should in the past five years. We have to do something for the agricultural class in this country. I do not mean the farmers of the west; in my opinion, as I will show later, the farmers of the west have been getting too much. It is true, as the hon. member for Parkdale (Mr. Spence) stated in this house, that the western farmers have been spoon-fed long enough. Go over the budgets of the past, as far back as you like, and if you can show me one instance in which the farmers of Ontario, Quebec or the maritimes were helped in any shape or form, outside of the small bonus on cheese given last fall by the late Conservative government, I shall be very much surprised. I can take you back over the budgets of the last number of years and show you where millions and millions have been passed out to the western farmer. I have every sympathy with the farmers of the west, but, I say it with all sincerity, the farmers of the west have absolutely no one to blame but themselves. Some twenty years ago I graduated from college, and when I came home the big cry was, "Go west, young man; go west"! I did not go west; I stayed here in the east and practised my profession. For the next few years my friends were coming home from the west spending money like drunken sailors; they were prosperous and chaffed me about staying here in the east. But I stayed in the east and got along without any help, and that is what the farmers of Ontario and Quebec have been doing. They have not been complaining much; they have not asked for much, and they have been getting no help. But in the west it is a different story; the farmers there are continually coming to this government and asking for bonuses on wheat—we have heard so much here about wheat since this house opened that it is disheartening to the members of this house from Ontario and Quebec and the maritime provinces. True, as I said, I have every sympathy with the farmers in the west, but let them buckle down themselves and suffer a little bit. I fully realize that I am going to be followed this afternoon by a number of members from the west and I know I shall be roasted for that statement. That is quite all right. I want them to go over the budgets and the estimates of the last number of years and if they can show where the eastern farmer has received anything, then I will retract my statement.

Mr. COLDWELL: What about the eastern manufacturer?

Mr. HYNDMAN: I am not saying anything about the manufacturers; I am talking about farmers. I might say also that in my constituency we have no manufacturing concerns whatever. But I am going to have a little to say about the manufacturers; in fact I might say it right now, and I know this will be very agreeable to the western farmer. There has been a great deal of discussion in this house regarding lower tariffs on farm implements. Speaking of that prompts me to branch off a litttle, as I am very highly honoured in having as my deskmate the finest looking man in this house, from the ladies' point of view. I would also like to say that in my opinion the judge of the contest is the finest looking single lady in this house.

However, to return to the subject, the farmers of my county can be divided into three classes. There is the farmer who has a herd of dairy cattle and is shipping his milk to the dairies in Ottawa.

An hon. MEMBER: What does he do with the cow's milk?

Mr. HYNDMAN: That is right; we have the farmer who is shipping the cow's milk to the cheese factory. We also have the farmer who has no dairy cattle but who buys cattle in the spring and sells them in the fall or buys in the fall and sells in the spring, using in that way the feed he grows on his farm. I want to point out to hon. members, if they do not know already, although they ought to know—there are members here representing rural constituencies who have never said anything on behalf of the farmers in their constituencies—I want to point out what these farmers have been going through. First I shall take the dairy farmer shipping milk to the dairies, and I want it clearly understood that I have not picked out the worst case I could find. This farmer is one of what I would call the most prosperous farmers in Carleton county. He is one of the biggest shippers of milk to the dairies in

Ottawa. He has a splendid 225 acre farm with good buildings and eighty head of cattle, so you will see that he is a real dairy farmer. His cows are the best grade of Holsteins, with ten or fifteen Jersey cows mixed in to improve the quality of the milk. Last year his gross income was $4,380. His total expenses were $3,976, therefore he had left for himself $404. What did he have to do with that amount? He had to keep himself, his wife and five children, pay his life insurance, and pay the mortgage. You can imagine how much he could pay on his mortgage with a net income of $404. Now, I think the trouble is with the dairies. I never could get this through my head: 100 pounds of milk, 40 quarts, during the war brought $2.80, and the dairy sold it at 13 cents a quart; therefore the dairy received on the transaction a gross profit of $2.40 out of which to pay interest, depreciation, upkeep and cost of delivery. At the present time the farmer receives $1 per 100 pounds of milk and the dairy sells it at 10 cents a quart, or $4 representing a profit of $3. Yet the dairies in Ottawa say they are going behind. I cannot understand that, because labour is cheaper; they are making a greater profit on the milk than they were during war time, although they made money even then. I think this government would be doing a great deal for the milk producers of Ontario and Quebec if an investigation were held into this matter.

Another class of farmer that we have is represented by the one who ships his milk to the cheese factory. As in the other case, I picked out a real honest-to-goodness farmer; I did not pick a gentleman farmer but one who himself is working on the farm. I take a man who is a practical thrifty farmer and not one who spends his money in motor cars, running all over the country. I am speaking of a good practical farmer. This man has a hundred acres of land valued at $7,000, and 14 cows. His income last year from the cheese factory was $525; from the bonus on cheese he received $56, and he sold some veal calves for which he received $70. Therefore his total income from that hundred acre farm was $651. But he had expenses to meet—taxes, insurance on his buildings, extra feed, interest on mortgage and some miscellaneous items making a total expenditure of $497. After he had shipped his milk to the cheese factory he had $154 to live on, and with that he had to keep his wife and three children. He had to pay life insurance and part of the principal of his mortgage.

[Mr. Hyndman.]

There is another class of farmer I mentioned, the man who buys cattle and sells them again. We were told—at least we thought; certainly this farmer thought—that when the agreement with the United States was made last fall, coming into effect at the first of the year, we were going to have a great market for our cattle in that country, and on the strength of that this farmer bought up last fall a good many head of cattle. He fed them with his own feed, as many as he could, paying $8 a month to different farmers for raising the others. Now he finds himself in the spring, wishing to sell his cattle, being offered the same price as he paid for them last fall. What chance has that farmer to make money or to keep going? Let me mention another farmer in that part of the country. All winter he has separated milk, shipping the cream to the creameries in the city. With a wife and four children he has been living on an income of $15 every two weeks, or $7.50 per week. I do not see how he can get along.

I have mentioned the trade agreements, and as far as I can gather from the facts with which I have become acquainted those agreements will not result in increased prices to the farmer. Cattle last fall were selling at five cents a pound and now they are selling at 4 and 4½ cents a pound. I am not referring to the price of cattle in the markets of Montreal, Toronto or Chicago; I am speaking of the price paid to the farmer himself, the actual producer. Last fall he received 5 cents and now he is getting 4 and 4½ cents. Pork last fall sold at 8 cents and it is also 8 cents to-day. Lamb has certainly improved; it was 7 cents last fall and at the present time is 10 cents. Mutton was 4 cents last fall and is now 5 cents; veal was 5 cents then and is 5 cents now; and cheese is 9½ cents. So much for the farmer.

The Minister of Finance has given us a clear statement of the financial condition of the country. He told us that the liabilities on March 31, 1936—this was an estimate—were $3,432,671,000 and that the assets were $424,380,000, leaving a net debt of $3,008,291,000. This is not a very bright picture, I must say; and in my opinion it does not reflect the true financial situation of Canada at this moment. True enough, that is our dominion debt. I as a resident of Canada am responsible for part of that debt; but as a resident of Ontario I am also responsible for my share of a certain debt;

as a resident of the township of Huntley I am responsible for a certain debt; and as a resident of school section No. 3 in the township of Huntley I am again responsible for a share of debt. Adding all these various debts together we find a staggering debt facing the country, and that I think is the true debt situation in Canada to-day. I have segregated these debts into the money we owe to the United States, to the mother country and to Canada itself. When I refer to this debt I am referring to dominion debt, provincial debt, municipal debt and school section debt, and I find that to the United States the following Canadian debts are due: Ontario, $574,000,000—I am giving only round figures; Quebec, $747,000,000; British Columbia, $122,000,000; New Brunswick, $43,000,000; Manitoba, $98,000,000; Nova Scotia, $42,000,000; Alberta, $77,000,000; Saskatchewan, $56,000,000, and Prince Edward Island, $1,000,000. The federal government owes the United States $1,005,175,156.

To Great Britain the following Canadian debts are due: Ontario, $511,000,000; Quebec, $578,000,000; British Columbia, $165,000,000; New Brunswick, $44,000,000; Manitoba, $83,000,000; Nova Scotia, $40,000,000; Alberta, $69,000,000; Saskatchewan, $50,000,000; Prince Edward Island, $1,000,000. The federal government owes to Great Britain, $727,157,402.

To Canadian investors the following Canadian debts are due: Ontario, $1,741,133,005; Quebec, $1,000,000,000; British Columbia, $305,000,000; New Brunswick, $104,000,000; Manitoba, $192,000,000; Nova Scotia, $118,000,000; Alberta, $160,000,000; Saskatchewan, $138,000,000; Prince Edward Island, $7,000,000; the federal government, $2,342,243,442. This makes a total which we as a country—federal, provincial, municipal and school sections—owe to the United States of $2,769,668,294; to Great Britain, $2,270,847,255; and to Canadian investors, $6,387,180,943, making a grand total of $11,427,696,492. In other words we have a per capita debt in Canada to foreign creditors of $485.87 and owing in Canada, $615.68, or a total per capita, including foreign and domestic, of $1,101.55. That is the financial situation of Canada, and it is a startling one. But I find nothing to worry about even though the figures are stupendous, because if we turn to other countries we find that they are just as badly off.

In my opinion, sir, we have three great problems to solve in this dominion. First of all we have our unemployment problem; secondly, the problem which I mentioned a little while ago, the condition of our farmers in the whole of Canada, not necessarily only in the west; and thirdly, we have our railway problem.

Dealing first with the unemployment problem, I feel that the finance minister or the Prime Minister (Mr. Mackenzie King) or the government as a whole has a perfect right to ask me: Well, what are you going to do about it? There has been a lot of criticism in this house, but very little constructive criticism, and I feel that if a member is going to criticize he should also have something to offer. I will therefore humbly submit, as a new member, what I think is the right way to solve this unemployment problem.

I know that the Minister of Finance, after the figures I have just quoted, may wonder why I am going to make this suggestion, but my first suggestion for solving the unemployment problem in this dominion is the spending of $200,000,000 for the next five years, or at least until the depression is over. I would like to see the money spent on public works, and have ninety per cent of the work done by day labour, not by machines. I would like to see the money spent on such projects as have already been suggested—reforestation, the doing away with level crossings, road building, housing and slum clearance. But if the government is going to spend millions of dollars on white elephants in the cities, and allow the contractors to take most of the money, we shall never get away from unemployment. The money must be spent among the unemployed.

The Minister of Labour (Mr. Rogers) has appointed a national commission to look into the unemployment problem and allocate in different categories those who can work at lumbering, for instance, and so on right down the line; but there is another class of people who I claim should be helped even more than those who are at present on relief. It is the class that has been referred to in this house by the hon. member for Peel (Mr. Graydon), those who have been struggling along on five or six dollars a week and have never gone on relief. They are the people, in my opinion, who should receive first consideration.

The Minister of Labour has told us that he is going to close the relief camps. I think that is unfortunate; it would be bad policy to close the relief camps at this time. I think we should aim to close them as soon as possible, but if the minister is going to close them by July, what is he going to do with the thirteen thousand men who are now in the

camps? He says they will be absorbed on the Canadian National railway and the Canadian Pacific railway. I noticed an item in the press the other day to the effect that the Canadian Pacific Railway Company expects to start to pay a dividend soon, and so I imagine that railway will be able to absorb some of these workers who are on relief, but I cannot see how the Canadian National can absorb them, because it is going behind every year. As I said a moment ago, Mr. Speaker, I think those who have been struggling on by their own efforts and have never gone on relief should receive first consideration.

Another thing I should like to see done to relieve the unemployment situation is the introduction of a shorter working day and a shorter working week. If we shorten both the day and the week, we should be able to absorb more of those who are on relief.

Fair wages is another thing that I should like to see firmly established. I have already mentioned the restoration of the five per cent cut for civil servants receiving up to $3,000 a year.

There is one bill which, if it is ever brought before the house, I shall certainly support. We know of course that a number of bills that are placed on the order paper are withdrawn, perhaps because pressure is brought to bear; but one bill which I hope will come before the house, and which I shall support, is that providing for pensions for those over sixty years of age.

I do not want, sir, to get in wrong with the ladies, but it seems to me we should employ the heads of families, the man power of the country, instead of women who have no dependents. We have men holding down good positions in the government, drawing large salaries, whose daughters are also employed in the government as stenographers or in other capacities. That is not fair; it is not giving a fair chance to others. I would like to see a little discrimination shown in that regard; employment such as that of a stenographer should be given to those who are responsible for the support of dependents at home.

I have already mentioned the condition of the farmers, the plight they are in, and hon. gentlemen have a perfect right to ask me: What do you suggest should be done? As I said before, the eastern farmer has received no help whatsoever other than the bonus on cheese last fall. I regret very much that the Minister of Agriculture (Mr. Gardiner) could not see his way clear to continuing that bonus, because it was a boon to the dairy industry in the province of Ontario. I should like to see that bonus of at least one and a half cents a pound on cheese restored, and continued not only for this year but for a period of from three to five years, in order to give the dairy farmer a chance to get on his feet again.

I should also like to see a moratorium for the next five years on all government farm loan mortgages, federal and provincial. We might as well come to that situation first as last. The farmers of Ontario and Quebec, and of the maritimes too, so far as I know, cannot possibly pay the mortgages on their farms at the present time. You may increase your trade as much as you like, but the farmers are not going to be able to pay off their mortgages. They are not trying, I know farmers in my district who have government loan mortgages on their farms, and they are sitting back in their seats and saying that they are not going to pay anyway; that you cannot collect anything; that it is a government mortgage. They run up a store bill and won't pay it; they run up a doctor's bill and won't pay the doctor, and the consequence is that we are all suffering. But if we could tell the farmer that he is free for the next three or five years from any payment of interest or principal on his mortgage, thus giving him a chance to get back on his feet and to start in where he left off, it would be a great help to the farmers. I repeat that I would like to see the bonus of one and a half cents a pound on cheese continued for five years.

I have made a statement in the house this afternoon as to the help the western farmers have received, and I think I should be prepared to back it up. I think I can do so, Mr. Speaker. I have gone over the main estimates for 1936-37 and the supplementary estimates, and I have checked up on what was paid out to agriculture last year. I find that to agriculture last year the government paid out $25,181,697.87, and of that large amount $17,247,449.38 went to the western provinces, the rest of the dominion receiving only $7,934,248.49. That is what I mean when I say that the western farmer has been getting everything from this government while the Ontario farmer has been getting nothing.

There is another interesting item here that I should like to present to the house, one dealing with the amounts spent on the different departments. I have mentioned what has been spent on agriculture, and I may say that that money has been well spent. In fact, I should like to see more spent on that industry, even though it goes to the western farmer. But there are other departments of

government upon which less should be spent. I refer particularly to the Department of National Defence. I cannot understand why we should spend money on this department because we have our representative at Geneva who makes certain decisions and then we wire him to withdraw them. The expenditures for this department amount to $18,695,857. I have in my constituency one of the finest rifle ranges in the Dominion of Canada, in fact one of the best in the world, the Connaught rifle ranges, and when I speak like this I am really speaking against my own interests because thousands of dollars are spent each year upon those ranges. But what do we find? We find old shots coming down from the west and up from the maritimes to shoot there for two or three weeks in the summer time. Money is spent, but I cannot see that it is doing the country any good. If we are really in favour of peace, I would suggest that we spend less money on national defence and more on agriculture or labour.

We are spending $26,476,000 on labour this year, and this amount should be increased by some of the expenditures now made on national defence. I do not want it thought for one minute that I am talking against pensions for the great war veterans, because I agree entirely with the payment of pensions to those who fought in the great war. In the little town of Carp, which has a population of only 700, in a township with a population of only 1,800, we have erected a memorial to the eighteen who lost their lives in the great war.

Mr. SPEAKER: I am sorry, but the hon. gentleman's time has expired.

Mr. H. R. FLEMING (Humboldt): Mr. Speaker, I do not think the hon. gentleman who has just taken his seat (Mr. Hyndman) has been very fair to the farmers of western Canada. Surely the farmers of western Canada were not responsible for the grasshoppers; surely they could not help the rust or the drought, and many other disadvantages from which they suffered.

The budget, sir, presented as it has been to the house, with all proper dignity and due regard to its importance, offers an opportunity to every member of this parliament to register on behalf of the Canadian people his endorsation or otherwise of the soundness of its principles, which are calculated to lift the people of this country out of such a financial depression as has heretofore not been known in its history. It is one period when parliamentary discussion transcends the plans of party considerations and moves into the higher realm of national duty.



With this necessary preface to my discussion of the budget, I am glad to make this my first contribution to debate in the House of Commons. I should be lacking in my duty to my constituents did I not rise at this time and give expression to the sadness and sorrow which I know is theirs in the passing of His Gracious Majesty, the late King George the Fifth. The citizens of the constituency of Humboldt take second place to none in their unswerving loyalty to Canadian institutions. Racial differences have never disturbed the serenity of its public life. The diversity in the complexion of its representatives for the past thirty years is surely evidence of a breadth of view and a tolerance that could be emulated by other sections of this dominion. In the late Doctor Neeley, whose eloquence rang through this chamber on many a momentous question, Humboldt sent you a man thoroughly representative of the best in Canadian citizenship. When Union government was formed and the exacting problems of the war and reconstruction called for men with experience along these lines, Humboldt sent you the late Colonel Lang whose war record was of the highest; when peace was restored and domestic issues assumed the ascendant, and when a wave of progressivism or advanced liberalism swept over the prairies, we sent you C. Wallace Stewart, who made a splendid contribution to the problems of that day. In 1925 Humboldt sought out and obtained in Mr. Albert Frederick Totzke the man with the necessary business experience to cope sanely with the problems not only of the depression period but of the wildly speculative days that preceded it. It is therefore with diffidence and some apprehension that I approach the task which Humboldt expects of me, namely to carry on the torch laid down by my predecessors, and emulate, so far as in me lies, their high ideals of service to my constituency and my country.

In these new and yet strange surroundings I find one steadying and directing force around which seems to revolve all the activities of this house, and which has impressed me most profoundly. It is the authority which is vested in your office, Mr. Speaker, and which makes for order and decorum in our deliberations. That you were the choice of the house to assume this great responsibility is your guarantee that your authority will be respected, and in expressing my satisfaction that the execution of this authority has been placed in such able hands, I pledge you, on my own behalf, my fullest cooperation in your efforts to discharge your duties in a fair and impartial manner.

To those, Mr. Speaker, who sat in the last parliament and in the one preceding it, and who were returned to the present one, you have seen demonstrated in the last fifteen years the boon of democracy and the efficacy of democratic institutions. You have seen the policies which you advocated accepted, and whether you are a Liberal or a Conservative, you have seen them rejected in turn by your constituents, who in all matters that pertain to the administration of our common affairs are the court of final appeal. With that as a safety valve, the system of party government has long since been accepted as the best medium through which to conduct public affairs. The great majority, Mr. Speaker, of the electors of Humboldt constituency apparently decided that the administration of their affairs and of this dominion at the present time should be entrusted to the party of lower tariffs, and that the government should be led by the man who has the Liberal conception of Canadian nationality and who at the same time is prepared to place her international negotiations upon a higher plane than that of commercial bargaining. To recognize that we have such a man in the hon. Minister of Finance (Mr. Dunning) and to pay him the tribute that is his due, cannot be interpreted therefore as narrow partisanship. In his budget speech he says:

> Canada cannot give everything to-day and bargain to-morrow, but Canada can, and this government does, give to-day to empire countries, such concessions as will, I am sure, be accepted in the spirit in which the British preference was conceived. In this spirit this government, since coming into office, has seen to it that unnecesary impediments to interempire trade have been removed, that vexatious restrictions have been lessened and that arbitrary regulations have been altered or abolished. It has interested itself in the increase of interempire trade both by imports from the empire as well as exports to the empire; and under to-day's resolutions it proposes easier access to this country for certain empire commodities. The proposed reductions in the British preferential tariff are in no sense elements in a bargain. Concessions they are, both to Canadian consumers and to British producers, but concessions made in the firm belief that only from mutually advantageous exchange of commodities can come that common benefit in which should lie both the origin and the objective of intraempire trade arrangements. Canada knows full well that Great Britain, when the day of conference comes, will not be unmindful or forgetful of Canada's past record in the matter of preferential treatment in this market for British products—a record crystallized to-day in the fact that close upon seven hundred items in Canada's tariff schedules, practically half the items in the entire list, have against them the word "free" in the British preferential column.

It is said that one of the secrets of Napoleon's military success lay in his capacity to choose competent generals, and the same has often been said of the late Sir Wilfrid Laurier, who, in forming his first government, surrounded himself with a "cabinet of all the talents." The force of this example would not of itself be sufficient to account for our leader's success. There must have lain behind it a native political astuteness; for, lookifng over the men who occupy the treasury benches in the house to-day and comparing them with any group of men who have preceded them in a like position, no one will deny that, in background, in citizenship and in achievement, they hold second place to none. Who could have brought more credit to Canadian statesmanship than the Minister of Justice (Mr. Lapointe) and Senator Dandurand at the world court? Who could have made a more substantial contribution to Canada's economic prosperity than did the Minister of Finance in his famous May day budget of six years ago, and than he did when he presented another May day budget this session; and who in their respective spheres could have any fairer record in public achievement or private accomplishments than the former premier of Saskatchewan, the present Minister of Agriculture (Mr. Gardiner)?

And what has been said of these men can be aptly applied to the others who hold portfolios in this administration. What the Prime Minister did in selecting his lieutenants in the government, he did with equal efficiency on two previous occasions. Whether he will accomplish all he has planned and all that he wishes for this land which he loves and serves so well, will not debar him from a place in history equal to that of any man who has filled this high post. The Prime Minister's is a leadership that is indigenous to the soil from which have sprung the cardinal principles of Liberalism. It is a leadership provocative of initiative in thought and action among his followers, a leadership which welcomes independent views on the many problems which are pressing for practical solution. It is a leadership which recognizes the political principle enunciated by Edmund Burke over a century ago, a leadership which would call out, from the more circumscribed affairs of constituency interest, the best in both thought and judgment that the representative is capable of giving in the broader field of national affairs. It is a leadership that goes further in encouraging us to study not only national problems, but international issues. It is a leadership that expects us to bring to our discussions and our deliberations the most advanced views on every question pertaining to the nation's welfare. The problems which prior to the great war were national

only in scope have now become international in their ramifications, and the world situation to-day, complicated and intensified as it is by European involvements of the past few months, calls for the greatest circumspection in legislation from within and in negotiations from without. In international negotiations thus far, the leader of the government has demonstrated that he is alive to the requirements of the times and will proceed in a manner that will enhance the standing of this country abroad and inspire confidence at home.

The Washington treaty was a consummate piece of work—a work of high diplomacy and masterly statesmanship. The depression, born of the economic disintegrations of the late war, has brought us a new problem—the problem of the individual. We have always had problems of state, problems which we felt were matters that could be adjusted by legislation, problems that were therefore impersonal in their application; but it was not until the intensive nationalism which has been developed by the war spirit rendered impotent the most generous impulses of the League of Nations that we came to realize that if a start in the direction of real reconstruction were to be made, we had to get back to fundamentals. We had to get down to the individual and the things which motivate him in his relations with his fellows. State control, without realizing it, had gone too far. The right of the individual to life, liberty and the pursuit of happiness in the highest sense was being more and more disregarded. Society was becoming mechanized to a point where the freedom of the individual was being restricted and in some cases infringed upon.

In the new era of exaggerated state control, the initiative that went with individual enterprise is gradually disappearing, and with it the dignity that goes with personal responsibility. Men and women are to-day saying to all governments: "You have taken over the direction of most of the things which before we had in our own control, or you have done worse in allowing these things to get into the hands of selfish interests. Why should we be further concerned with the things which you call economic interests? You have created a situation by the infringement of our rights. It is your business, therefore, now to do for us what we could otherwise have done for ourselves." It is that state of mind which has given us this new problem. It is that attitude which is swelling the ranks of the unemployed, created in the first instance by the erroneous policy that restriction of trade would lower the cost of living and increase the purchasing power of the dollar.

In advocating the restoration to the individual of these rights which are his, I am not advancing a new theory. It is philosophy that is as old as Christianity itself. Man, by his very nature, by the dignity which his God-given faculties impose, and the responsibilities which his station and purpose in life demand, must be given a dominating place in the scheme of things, and so I hold it is the duty of government to reorientate the relationship which now exists between man and his economic environment, and to establish upon an unassailable basis the sanctity of human rights. Just how that is to be done is the problem of this government and of this parliament, with honest men sent here to help solve the problem. I have no quarrel even if men differ in their ideas as to the treatment of our national ills and in their estimate of the efficacy of proposed remedies. A solution will be evolved by calm and rational discussion, but with propagandists and designing theorists I have no patience. Any doctrine that would set lawful authority at defiance is fundamentally wrong; and yet that doctrine has permeated the minds and inflamed the hearts of hundreds of our unemployed and set them trekking across the country from capital to capital in search of relief. The unrest which naturally results from long periods of enforced idleness is not in itself a matter seriously to disturb us, but the rancour which is fomented by an organized band of agitators, directed and financed from communistic centres such as Moscow, is in my judgment, a matter which should give us grave concern.

In the broad Canadian outlook and the optimism for the future which this budget manifests, I am in hearty accord. It is to be hoped, however, that the almost unanimous endorsement of such a sane and sensible policy will breach the void between the producer and the consumer, and will still forever the voice of the sectionalist, the man who says that the harmonizing of these two interests defies solution, so long as we have a west, where agrarian interests dominate, and an east where the industrial position must be conserved. Next to the socialistic crank who would destroy our national integrity, the greatest enemy to national harmony is the sectionalist who would divide us on geographical grounds.

With a railway problem that has thrown the whole financial structure out of plumb, a marketing problem that has so far baffled our experts, a trade problem with wide international implications, and an employment problem that most vitally affects the well-

being and the happiness of our people, we have before us a task that calls for the greatest patience, the greatest skill and the greatest resourcefulness, a task to the accomplishment of which I feel certain the government is equal, provided the effort is a united one, wholehearted and determined. If I judge aright the temper of the Canadian people to-day, it will brook no delay in the handling of these matters. In this monumental task there is no place for political recrimination, no time even for criticisms of those who tried and failed. I do not think we should harbour any feelings of illwill towards hon. gentlemen opposite, or feelings of resentment because of their failure when in office to overcome our difficulties. I think the great issues should be approached in a spirit of cooperation, forgetful of any acrimony that may have been engendered in the heat of a political campaign. It is in no spirit of pessimism that I make these observations. They are suggested, perhaps, as much by self-interest as by public duty.

The appeal for good will in the solution of our domestic affairs I would extend to the wider one of international negotiations. Experience has proven that you cannot blast your way into the good will of others. Good will in international dealings, like good will in human relations, rests upon mutual confidence and respect. It is something which has to be cultivated and won by an approach obviously prompted by motives that are above suspicion. I am not impracticable, therefore, when I say that cultivation of good will is a step which should precede any efforts to engage in commercial bargaining. One envoy bearing messages of good will to the people of another nation will in my judgment accomplish more than a coterie of trade experts armed with statistics and obviously commissioned to drive the hardest bargain possible. Again let me quote from the budget speech, at page 2390:

> As a gesture of good will and an earnest of intention to widen Canadian trade with the Irish Free State, reductions in duty, to be applicable under the British preferential tariff only, are proposed on certain products peculiarly identified with the Irish Free State and requested by that country, namely, stout, prune wine and Irish poplin.

I am not saying that in such dealings we should allow such things just to happen; I am merely indicating what I consider the most logical and diplomatic way to proceed in any efforts that may be made to extend our commercial relations with other nations, when a feeling of distrust already exists. The success already achieved under this policy is evidence, I think, of its efficacy and of the wisdom of extending it to many other nations, offering opportunities for trade. There is much in the force of example, and I am confident that other nations seeing the advantage of this policy will adopt it also, and from that will follow a breaking of the commercial stalemate and a solution of that world problem, the legacy of the great war.

I might follow those who have preceded me in the field of figures, Mr. Speaker, and proceed to analyze the trend of business from comparative statistics, but on this, my first attempt to speak on the floor of this house, it seemed to me that I should attempt only to offer for your consideration a few saving principles consonant with Liberal philosophy. I leave the statistical task to those who may have a mathematical complex, and whose minds move more naturally in that orbit.

I intend, sir, to vote for the budget. Some say it does not go far enough; others say it goes too far. Some say it is dominated by the big interests; others say it is intended to please eastern Canada. But after careful study I think it is the best budget that could have been brought down. I have no hesitation in saying that the people of my constituency trust and always have trusted the Minister of Finance, and that trust has been justified in the reduction in the duty on agricultural implements from 25 per cent to 7½ per cent and the reduction in the intermediate tariff on gasoline from 2½ cents to one cent. I have every confidence that after such a fiscal policy has been in operation for a few years the old Tory "whisper of death" will disappear, and from the very furrows of this Canadian land the rural rustics will produce the murmur of life.

Let me close with the words of Lord Morley:

> We must not judge human institutions by the white light that blazes in Utopia. Allowances must always be made for the frailty of mankind. Believing, as I do, in the capacity of democracy to rule, I shall record my vote and record it for the Liberal cause for one reason only—history and the present facts tell me that Liberalism is the one hopeful political cry in the world to-day, carrying with it a note which still rings true in the time of many delusions.

Mr. E. G. HANSELL (Macleod): Mr. Speaker, I suppose it is in order for me to follow the other speakers in this budget debate and offer the congratulations of this group to the Minister of Finance (Mr. Dunning) on his budget speech, and consequently on his budget. However, we have a good deal to say with regard to the feeling of dissatisfaction that seems to ring in our minds and the disappointment that is within our hearts

as we read the budget more carefully and recognize its real intent. Before I conclude I desire to present to this house an amendment to the amendment, but before doing so I should like to refer to a certain portion of the budget speech which reveals that after all this is what is known as a so-called sound money budget, and I emphasize the words "so called." I was a little reluctant to refer to this paragraph until the hon. member for Kootenay East (Mr. Stevens) practically built his entire argument upon it; therefore I fancy it will stand repeating. The minister said:

I am not an alarmist. On the contrary, I am confident that common sense and sound economic policies can solve our immediate problems. Moreover I am convinced that this country can bear all the burdens which the war and the depression and past mistakes have saddled upon it, great as they have been. Nevertheless I believe that no country can go on indefinitely with heavily unbalanced budgets and continue to maintain either the confidence of investors or the basis upon which her economy can fuction healthily and vigourously. We have now reached the stage where delay should no longer be tolerated. We must make an immediate approach to a balanced budget and we must be able to show that complete equilibrium can be reached within a reasonable time.

One or two points in particular strike me forcibly in connection with this sound money policy as I find it embodied in this paragraph. The minister says:

... no country can go on indefinitely with heavily unbalanced budgets and continue to maintain either the confidence of investors or the basis upon which her economy can function healthily and vigourously.

The budget aims to maintain the confidence of investors. That may sound well and good to those who believe in the so called sound money policies. In this connection I wish to refer to another statement made during the budget speech, appearing at page 2365:

Moreover, if we continue this process of handing out funds without security and without control of any sort, we shall be in danger of undermining dominion credit—

I fancy the Minister of Finance is speaking of financial credit, and we make a distinction.

—which, in my opinion, must be protected at all costs.

The protection of financial credit; maintaining the confidence of investors—it seems that no matter what else we do we must safeguard ourselves against hurting the feelings of those money interests which are centred in, perhaps, shall I say Montreal; shall I say New York; shall I say London, or shall I even go to that centre of international financial institutions, Basle, Switzerland? Must we continually assume that we are tied hand and foot to these interests? I wonder if we have not got to maintain the confidence and protect at all costs the interests of the great masses of Canadian people who in the last election put their confidence in the present Liberal administration. Yet there seems to be very little said concerning that in the budget. I do find in this paragraph:

I am confident that common sense and sound economic policies can solve our immediate problems.

Sometimes I wonder whether there is anything in the present so-called sound money policies that partakes of common sense. Let me point out one or two things that we find very prevalent to-day. There is a deficiency of purchasing power; is it common sense that we should have a deficiency of purchasing power? We have factories able to produce goods; we have our arable lands able to produce; our great transportation systems run clear across the continent, and we have plenty of coal and oil to run those transportation systems. We have highways almost clear across the continent, and great motor trucks and an abundance of gasoline and oil. Yet somehow it is impossible to transfer the goods from the factories and from the land and put them into the hands of our people. Why should it be impossible? Why is it thought incredible that it should be possible? The only reason it is not done is that there is a deficiency of purchasing power. Is that common sense?

Again, the upholders of the present so-called sound money policies have in some cases advocated the destruction of goods. Perhaps that has not been done to any very large extent in Canada—the hon. member for Red Deer (Mr. Poole) says it has been done in the Okanagan valley. Some years ago we recall that there was a reduction in wheat acreage, and we know that sound money people in other countries have advocated the destruction of goods. Is it common sense to destroy goods while millions of people need them? Is it common sense to talk of higher prices—and we have heard a great deal about that in this house during the past little while—when millions of our population have not the wherewithal to buy even at very low prices? Is it common sense to suppose that a nation can borrow itself out of debt? Is it common sense to treat money, which has no particular intrinsic value, as a commodity on a par with other commodities? Not so many weeks ago the Minister of Finance declared that money is after all a medium of exchange. Money, we all recognize, has become more

than a medium of exchange; it has itself become a commodity. Men buy money, men sell it, rent it, exchange it, just the same as they would a farm, a house or a cow. In this connection I refer to one or two statements from the budget speech which to my mind are striking. On page 2364 of Hansard I read this statement:

> One price whose falling tendency is watched with considerable enthusiasm in many quarters is the cost of money; in other words, the rate of interest.

On the following page I read:

> One factor retarding the full revival of confidence and the healthy functioning of the capital markets—

In another place:

> ... these provinces have not been able to borrow economically in the public markets.

In another place:

> I trust that the position which the government has taken in these matters and the action which it proposes to take will commend themselves generally to the good judgment of members of this house. The record of Canadian securities in the investment markets of the world has been a most enviable one.

You will notice in these quotations the phrases that I am calling attention to—"cost of money," "capital markets," "borrow in public markets," "investment markets of the world." I declare that it is not common sense to take money, which is supposed to be a medium of exchange, and recognize its function as that of a commodity on a level with that of other commodities. Is it common sense for one body of citizens to be taxed in order to keep from starving another body of citizens? Is it common sense to apply human genius to the task of taking the burden of labour from the backs of mankind and putting it upon the machine, and then to say to men that the only way they can get enough to eat is to work? That is not common sense, yet we find that very principle advanced over and over again in this house. Is it common sense to perpetuate a system which produces fear—fear for the future because of that insecurity which threatens almost everyone in the nation? I was speaking some time ago to a gentleman whose name I shall not mention, a very well known gentleman who at present is engaged in research work for one of our leading grain concerns. He also is a sound money man, not an exponent of social credit. But he said to me: "It is not all greed for more that characterizes the people of this country; it is rather the fear of going broke or of losing that which they already have." That is characteristic of the life of individuals throughout the length and breadth of this country—fear lest they should not have provision for the future. Fear and insecurity are very real things. Is it common sense to perpetuate a system which produces fear and insecurity?

When we know that the purchasing power of the nation, which comes mainly from the processes of production—that is wages, profits, dividends and so forth—does not equal the price of the goods produced, is it common sense to say that we can buy those goods? Is it common sense to assume that it is impossible to provide a standard of living commensurate with the high productive capacity that characterizes this highly developed industrial civilization? Is it common sense to suppose that these nonsensical opinions which I have enumerated can be obliterated by the operation of what is usually known as the orthodox sound money policy which the Minister of Finance advocates and which is responsible for these evils? At least this much will be admitted, that these things have been in evidence during the reign of the so-called sound money policy. Right here I might digress for a moment and declare that a sound money system, in order to be sound, must work. A money system is not sound unless it can provide for every man, woman and child bearing the nation's name as high a standard of living as it is possible for our productive capacity to give them.

Quite often in the last few weeks we have heard that we on this side of the house, particularly perhaps in this corner, have not offered any great constructive criticism but have been more or less destructive. It seems to me that in the proper form and order of debate those occupying benches on the government side should speak on behalf of the affirmative, in every debate, while those on the opposite side should speak to what might be termed the negative; and I fancy I am correct in assuming that the purpose of the negative in any line of debate is to discover the flaws in that which the affirmative affirms. However, be that as it may, a perusal of Hansard within the last few days will disclose that we have suggested some very sound things that should be taken into consideration. Lest I be accused of not offering anything constructive I am going to offer at this time three fundamental principles which we believe should characterize a sound policy for the distribution of the abundance we are able to produce.

First, then, there should be the setting up of a national credit account; and right here

I wish to distinguish between financial credit and real credit. Financial credit is the ability to borrow money; real credit is the ability to deliver goods and services whenever and wherever required. There should be the setting up of a national credit account as the first step. The second principle is the principle of the just price—a just price that would give a just wage and a just profit and a just dividend to those who work and produce, a just price that would not exploit the consumer and yet would not depreciate the standard of living of producers. The third principle is the payment of a dividend to enable a nation of shoppers to buy their own goods. I am not going into a detailed discussion of these principles, but I maintain that this is absolutely possible.

It has been said that perhaps we in this corner are advocating something new. I do not wish to labour this point, but there are other countries that are trying something new and they seem to be solving some of their problems. However, in this connection I wish to read a brief excerpt from that great philosopher, poet and legalist, Goethe. He says:

> If anyone advance anything new, which contradicts, perhaps threatens to overturn, the creed which we for years respected and have handed down to others, all passions are raised against him, and every effort is made to crush him. People resist with all their might: they act as if they had never heard nor could comprehend; they speak of the view with contempt as if it were not worth the trouble or even as much as an investigation or a regard; and thus a new truth may wait a long time before it can make its way.

I said that other nations were proposing something new, and other nations seem to be forging ahead. I wish to read from a little pamphlet by the Very Reverend Hewlet Johnson, a great mind—scientist, economist and thinker. "Why poverty in the midst of plenty"? is the title of this little pamphlet. I call the attention of the house to it simply because he refers to another country which was not afraid to try new things—Japan. He says:

> Japan enters the competitive field and leaves her rivals standing still. England outclassed. Germany outclassed. The United States outclassed. How in the world is it done? . . . Some say sweated labour is the secret, and advocate a drastic cut in wages. Japan's prosperity rests, they maintain, on the worker's misery. Let us examine the charge. I paid a visit to Japan two years ago and learned much. I went fiercely critical, quick to detect the social rottenness at home. Japan's proletariat, they told me, were underpaid, underfed, underhoused and overworked. I sought for the signs of it.
>
> I found none. Such things may exist. They hide them very well away. I passed through Kobe and Yokohama. On foot I examined Kioto and Tokio, penetrating the poorer quarters of those cities, and contrasted them with the wealthier suburbs of the same.
>
> I saw, indeed, such sights as sadden English eyes in London or Manchester; but the contrast between wealth and poverty is less marked in Japan than in England, and the people who thronged the streets were not notably oppressed or overstrained; nor were the houses I scrutinized notable for squalor. . . . We can at least deny that Japanese price-cutting rates in any peculiar way on the worker's misery. We can deny that it rests on low wages at all. For wages, in any event can hardly account for so wide a difference in price when wage-costs form so small an item in total charges. I would ask those who run a modern rayon factory if their wage-costs amount to more than half of one per cent? Real wages, in short, are not phenomenally low in Japan, and certainly no wage adjustment could appreciably affect the disparity between Japan's price and ours. Japan's secret lies elsewhere. It lies in realms of money creation, and not in realm of factory manipulation, Japan employs her social credit, and therein alone lies the secret of her dominance. An assertion not, perhaps, so wild as it sounds. Apart from the fact that no other adequate explanations ever advance to the field, let alone hold it, there is the solid fact of Japan's keen interest for many years in the social credit movement; in that movement whereby a nation creates its own money against the backing of its own real goods, and puts no toll of interest upon it. The movement, which, by a proper national accountancy, estimates the real national appreciation of value, and on the strength of it grants a national discount, with a consequent price reduction.

This point is interesting:

> Mr. Osaki, sometime Minister of Justice in Japan, represented Japan at the Disarmament Conference at Geneva in 1931. Starting on his mission in July, 1931, via America, he took with him a copy of "The Nationalisation of Credit," purposing to lecture on the subject in Europe and America.
>
> Let me add to this.
>
> Some years ago two Japanese gentlemen called at a London office and asked a friend of mine for information. They were economic investigators bound for Geneva to examine European economic systems. My friend presented them with copies of Major Douglas' Social Credit to read by the way.
>
> After five days they returned. They had not been to Geneva. They had no reason to go there now. "All we sought we have found here," they said, pointing to the Douglas book.

If other nations such as Japan are trying something new, and succeeding comparatively well, why should it be thought incredible that something new might be suggested in this country that would bring us out of our economic bondage and slavery? I am not going to quote the finance minister's paragraph again because time will not permit, but I suggest that the minister all through his budget speech evidenced that he was in agreement with what is commonly known as the sound money policy. I believe I am

correct when I state that this country expected some very drastic monetary reform to come out of this present session. I fail to see it coming; at least, if I am to judge by the speech of the Minister of Finance on the budget, I fail to see it there. If the Minister of Finance had worded this paragraph a little differently and had made another budget commensurate with the different wording, I wonder how it would have sounded? I drafted a paragraph that I would like to have substituted for the one in the budget speech which I have quoted, and it reads something like this—of course this is my own wording, not that of the Minister of Finance. Suppose that paragraph had read this way:

"I am not an alarmist in the generally accepted usage of the term. Yet I wish to sound an alarm. I wish to say to this parliament assembled that unless we take immediate steps to take absolute control of currency, which must be a medium of exchange only, and the control of our real credit, which is the nation's ability to deliver goods and services wherever and whenever required; if, I say, we do not take immediate steps to do this we will never be rescued from the quicksands of financial debt and death in which we are rapidly sinking. Moreover, I am convinced that by the application of sound common sense to the problem of distribution of our very high productive capacity we will not betray the confidence which the people of Canada have been pleased to place in us. Let us stand together in our endeavour for a new economic order which will give to the eleven millions of people constituting this nation economic security, liberation from the grim monster of fear for the future, and bring to them that high standard of living and resulting happiness that we believe our wealth of production is able to give, and which they so much deserve, and which we believe can be done within a reasonable length of time."

If his whole speech had been commensurate with something like that, Mr. Speaker, I claim that the Minister of Finance would have gone down in history as one of the greatest emancipationists of our modern age of economic slavery.

I wish now to present an amendment to the amendment. I do so, Mr. Speaker, because we do not feel we can vote for the amendment as it now reads, owing to the fact that we do not believe in, and our policy is not that of, a socialistic state. I therefore move, seconded by the hon. member for Red Deer (Mr. Poole):

That all the words in the amendment following the word "country" be struck out, and the following substituted therefor:

[Mr. Hansell.]

"This house also regrets that no steps have been taken to provide

(1) That every increase in the real wealth of the nation will be accompanied by an increase in the possible effective demand for the goods its citizens require;

(2) That the distribution to individuals of claims to goods and services must be progressively less and less dependent on employment;

(3) That the regulation of the issue and recall of money must automatically be adjusted to the requirements of the economic system. Financial policy must be made to serve industrial and national requirements, and thus remove all hindrances to the efficient production and distribution of goods and services so that all the people of this country may be enabled to enjoy the benefits to which their productive capacity entitles them."

I submit this amendment, Mr. Speaker, for the consideration of the house.

Mr. R. J. DEACHMAN (Huron North): Mr. Speaker, I rise to make a few observations on the comments made by those in this house whom I may designate as the members of the dissenting minority. My remarks will be brief, partly because some of those comments answer themselves, and partly because a great many of the speeches contradict those which have been previously made.

I took particular interest in the speech which was made about a week ago by my hon. friend the leader of the social credit party, the member for Lethbridge (Mr. Blackmore). I confess that I rather like to hear him. There is a freshness and vivacity about his presentation, and I know that he actually believes what he is saying. The lance of his enthusiasm has not yet been dulled against the bleak intransigency of things, and I believe that when he sat down he felt that the house as a unit should rise and try to carry into effect the things he had suggested. My hon. friend is very keen on quotations. He made many in that speech, some of them were indeed excellent. I can agree myself with a great many, but there was one which, I take it, touched the crux of the whole question. It was an extract from an address by Stuart Chase, contained in these words:

Again it is agreed by all competent economists that purchasing power has not kept step with invention. Purchasing power is the final arbiter of all jobs under the prevailing financial system. Unless prices fall as fast as labour saving devices increase, the saved labourer must whistle for employment. With a static price level, he will have to keep on whistling. Prices have not been declining rapidly in recent years.

I want the house to note particularly one sentence in that paragraph as follows:

Unless prices fall as fast as labour saving devices increase, the saved labourer must whistle for employment.

Beyond question that statement is true; the enigma of our economic situation to-day is that prices do not fall with the advent of labour saving devices, and therefore men are thrown out of employment. While I commend my hon. friend for the very complete statement he has made in those few sentences, may I also be permitted to point out that unfortunately he does not agree with his own conclusion. The hon. member for Lethbridge does not want to adopt a policy which will bring about a decrease in price and thus provide increased purchasing power.

In his recent speech he argued in favour of the production of sugar from beets. Let me point out to the house that to-day sugar can be laid down in the port of Montreal on a free trade basis at $1.70 per hundred pounds. It cannot be produced profitably from beets in the Dominion of Canada at the present time for $3.70 per hundred pounds, and I doubt whether it can be produced profitably for $4 per hundred pounds. There are 8,000,000 hundredweights required. The hon. member for Lethbridge comes from a centre which produces beets and he is anxious to have sugar produced in Canada, yet if his policy were put into effect the added cost of the production of sugar consumed by the Canadian people would amount to somewhere between $16,000,000 and $20,000,000 over and above what they would be asked to pay upon a free trade basis. Why is that? Because the cost of producing sugar from beets is very high, while the cost of producing sugar from cane is very low. The sun in the southern countries works for the production of sugar more efficiently than it does in the northern countries. We are asked to bonus the manufacture of sugar, to fight against the sun and to provide subsidies or bonuses against that power. I claim that in the long run the sun will win and bonuses will be beaten.

My hon. friend is ready to support such a measure, but what position does he take in connection with other measures? Where does he stand when the manufacturer of agricultural implements comes along and asks for a tariff of twenty-five per cent? Where does he stand when the textile manufacturer rushes to the Minister of Finance (Mr. Dunning) and asks for a higher tariff? Where does he stand when the iron and steel men ask for aid from the public? Where does he stand upon these issues which are vital to the prosperity of the country? There can be only one place for him, and that is on the side of the high protectionist manufacturer. He has backed measures which would increase the cost of the production of sugar; he is in favour of a measure of protection which would be equal to sixty or seventy per cent of the value of the product.

My hon. friends on the social credit side of the house have gone so far as to return to their own constituents and suggest that this house had been paralyzed, that it had listened with rapt attention to the statements they had to make. I suggest that here is one thing which my hon. friends might answer, and I am quite sure that we would be very glad to hear from them. I should like to know if this is what they define as a "just price." Is this one of the things they would put into force with their social dividends? I wonder how they feel about these important questions?

My hon. friend suggested in his speech of a week ago that in the United States the total value of all production in 1934 was 60 billion dollars, but that the total paid out in that production was only 40 billion dollars. In some strange way 20 billion dollars' worth had disappeared. There was an explanation for 5 billion dollars' worth of this in the payment of life insurance, but there was no explanation for the disappearance of the 15 billion dollars' worth of purchasing power. I have seen magicians stand upon a platform and pull rabbits out of a hat, hand them to a boy and have them disappear the next minute, but I have never seen a rabbit cause a man to disappear from a platform. Here we have a member of the House of Commons who has been able to accomplish the impossible. By a mere twist of the fingers, 15 billion dollars' worth of production disappears. I challenge my hon. friend and the members of the social credit party in this house to tell us where that 15 billion dollars' worth of production went.

They say that perhaps this production is lying on the shelves of the merchants, but I would never accuse capitalism of producing 15 billion dollars' worth of goods which it could not sell. Has it disappeared into the pockets of the bankers? I do not think our banking friends are so smooth as to get away with that much without losing their equilibrium. I do not believe that has happened, and I do not know where this amount has gone. My hon. friends say that it has disappeared, and I ask them to search for it and find out where it is.

I have here a book. I did not buy it; it was sent to me by a devotee of social credit, probably in the hope that I might be a brand saved from the burning. Let us assume that this book is worth one dollar. I submit that when the merchant sells this book for one dollar, every part of that dollar goes to someone engaged in the long chain of production,

from the time the tree stood in the forest right to the time the book passed over the counter. If anything disappeared, where did it go to? Production constitutes the basis of consumption. When the money was paid out for the production of that book there was constituted an equivalent volume of consumption through the money paid out in the cost of production. There is only one thing which could possibly arise, and I should be very glad indeed to hear my hon. friends deal with this matter. There is a possibility that in some part of the process some man might have got too much while others got too little. It is following largely the teaching of Major Douglas when I say that perhaps someone got too much—I doubt very much whether any of it disappeared.

I put it to the house in another way. Despite everything that has been said, the factors of production are still land, labour and capital. Part of the price of that book went back to the land owner, part of it went to labour and part to capital. But I search in vain for any part that has disappeared. The enigma of the social credit system is the disappearance of the value of production which they cannot trace and which they have made no attempt to trace.

I come now to another point, and perhaps I could not do better than to take the book to prove it. This book tells us that we ought to have social dividends. All right, we should like to have them. Here are the words:

> The dividend which is declared over the equivalent period represents the division of the difference between actual consumption and actual production.

That is, my hon. friends, in the social credit section of the house, make the claim that production is vastly in excess of consumption; that there is therefore a large surplus, and that this surplus could be distributed. During 1928 and 1929 there probably was a fairly substantial surplus; it went into savings, into investment, into expansion of plant. But if you are going to get a dividend out of the surplus you must first take it from the people who have it, tax it into your government and then distribute it again as a dividend. But I want to point out that there is not always a surplus. I hazard this statement—I think it is capable of proof—that during the last few years consumption exceeded production. Our stocks of goods are disappearing; besides, depreciation is a part of consumption, and as everyone knows, during the past few years the physical plant throughout the dominion of Canada has been running down, because maintenance has not been provided. So, during the last few years total consumption exceeded production. What follows from that? I think it is very simply and clearly stated if we put it in this way: In good years you might conceivably pay, let us call it for the moment the social credit dividend; let us assume that that was paid to the people of Canada; but what would happen in bad years? During the last few years the process would have been reversed and the Canadian people would have been obliged to pay a social credit dividend to the government. This would please my hon. friend the Minister of Finance; he would like it if he could get it. But this is the process. See where it would lead us. My hon. friends of the social credit party are very keen for a national bank. They are anxious, and have been anxious ever since they came into this house, to have a nationalized central bank. The object of the central bank, I take it, is to control the issue of credit. If we restricted it to some extent during periods of prosperity, in order to take the top off the boom, we would let it out in a period of depression so that we might level up economic curves and reduce the intensity of the boom and also the depth of depression. But my friends of the social credit group will pay their dividend in a period of boom or good years, and the people of Canada will have to pay it back in periods of depression. The result is that social credit will be operative in direct opposition to the ideas and conceptions of those who are agitating for a central bank.

Mr. POOLE: May I ask my hon. friend a question?

Mr. DEACHMAN: I would answer every question that is asked, and more, but my time is limited. One section of the program of the social credit party is working in a direction exactly opposite to the other. They propose to steer in reverse northeast by southwest without knowing the port of departure or the destination. Derelicts of that kind ought to be taken out of the open highways of the world.

There is one other point to which I wish to direct attention. They propose what has been called a cultural inheritance. That is, they say that we are the inheritors of all that has passed; all these things that we have are the product of the past, and therefore we ought to be able to pay a dividend out of them. But I submit that we are getting our dividends right now. Take, for instance, the business of printing. Does any man imagine that in the days before the power printing press the standard of living among printers was as high as it is to-day? Could one have had three or four hundred years ago, though one possessed the wealth

of the world, a copy of the Citizen or the Journal on one's breakfast table? Could we have had an industry like those two publishing houses in the city of Ottawa three or four hundred years ago? No. We have now the cultural inheritance that has come to us through the spread of the art of printing during the past century.

An hon. MEMBER: Who is "we"?

Mr. DEACHMAN: It is paid to us. That is true of all the great inventions which we have. We are enjoying the dividends now, and my social credit friends are asking that another dividend shall be paid on what we are getting and spending every day? What basis is there for such claim? It is sheer mist, pure will-o'-the-wisp and nothing else.

I have touched lightly upon one or two of the problems in relation to social credit. It would be interesting if we had in this house a free discussion of the question, because I think there is nothing quite so easy as to puncture some of these bubbles. Nevertheless I am very glad that my friends of the social credit party are in this house, because after all they hold these views; one of the things which is our cultural inheritance is that we permit freedom of discussion, and the mere fact that we do not agree with the views of those who are opposed to us is no reason why they should not be represented in the House of Commons to the full extent that these views are held in the country.

Having touched upon the social credit program, let me turn to another phase of the discussion. I refer to the argument which was advanced by my hon. friend from Greenwood (Mr. Massey), the Adonis of House of Commons. He told us a few days ago about the agricultural implement industry, and he performed at least one service for which I am very grateful to him and for which I shall always hold him in regard. We have heard for over a generation that the great feature of protection was that it enabled us to enlarge our market and to adopt mass methods of production, and therefore we would be able to lower prices. But, speaking from his place in the house, the hon. member for Greenwood said this the other day.

> In 1935 one company in the United States had a turn-over in that one year greater than the turn-over of all Canadian companies in nine years.

There we have a perfect illustration of mass production to the *n*th power. Were they able to produce any cheaper than we were in Canada? Not according to my hon. friend the member for Greenwood, because in the next sentence or two he says:

> The Saskatechewan prices are only 94·54 of the Montana prices. Taking prices at Sweet Grass, Montana, and Coutts, Alberta, the Canadian prices are 98·96 per cent of the Montana prices. Taking Pembina, North Dakota, and Emerson, Manitoba, the Canadian prices are 99·73 of the American prices.

Apparently the nearer they get to the border the closer they get to the American price. Perhaps in the Peace River they are away below American prices. My hon. friend from Greenwood has smashed the time-honoured argument that mass production is the important factor, because he has told us that this little company with which he was formerly associated is able to compete against the great American companies which have a turn-over in one year nine times greater than all the companies of Canada. And what else do we know about the matter? That the Massey Harris company has a plant in the United States, and it is standing up against the giants on the other side; but when it comes to do business in the Dominion of Canada it wants protection. Those who speak for it tell us that the reason is not to increase their own profits. Oh, no, the sole thing they are worried about, when it comes to that, is the Canadian worker. I want to show how the Canadian worker is getting along with the tariff. My hon. friend pointed out that the men working in his factory were supposed to consume, per family, $400 worth of food in a year. In an average family of four that would be $100 each. I do not know exactly where they got the food, because that would make a total of $1,100,000,000 of food consumed. I assume that the hon. gentleman referred to Canadian food, and the net production of Canadian farms was less than $600,000,000, so we must have provided a tremendous market for food products in Canada. According to my hon. friend, however, that was the total consumption. But I looked up the wages paid by the Massey-Harris Company during the past few years, and I found that in 1934 their average wage amounted to $837. Follow me for a moment while I make this calculation. We have $400 for food, and let us assume that the family spent $360, or $30 a month, for rent, which would not be too much in a city like Toronto. That makes a total of $760, so after paying for food and rent—I am only quoting the authority of my hon. friend from Greenwood; I may be wrong—they had left only $77 out of which to pay for fuel, water, light, transportation, holidays, amusement, sickness, charity, and every four years a small contribution to the Conservative party, the party of the full dinner pail and

ample protection, with perhaps a little contribution for Mr. Sage.

But enough of that. This is the situation: The price of agricultural implements now is sixty-one per cent above the 1913 price. As far as I know, the spread between the 1913 level and the 1936 level is greater in agricultural implements than in any other commodity in Canada. I have before me an index of the Searle Grain Company, Limited, of Winnipeg, a very carefully worked out index, which takes as a basis the average for 1913-14, so the conclusions are a little different from my own. The 1913-14 average is given as 100, and in comparison the present day averages are as follows:

| | |
|---|---|
| Groceries | 111 |
| Clothing | 115 |
| Household equipment | 145 |
| Farm equipment, other than agricultural implements | 126 |
| Farm machinery | 155 |
| Taxes and miscellaneous items | 155 |

That gives an average index figure of 126. As I understand it, Mr. Speaker, the Liberal party is endeavouring to solve a definite problem, and we want the help of everyone in this house together with any suggestions they may see fit to make. In the past the agricultural implement industry has been prosperous when the Liberals have been in power, call it accident or call it what you will. It was prosperous when the Liberals left office in 1930, but to-day the agricultural implement industry in the Dominion of Canada is paralyzed. Why? There is only one answer: Because the purchasing power of the farmer in Canada has been destroyed—I come back to a suggestion emanating from my hon. friends of the social credit party—and when the purchasing power of the farmer is destroyed the agricultural implement industry perishes. So we have an investigation taking place to-day. That is not a persecution of the agricultural implement industry, for every true Liberal who sits here to-day would like to see that industry prosper as it did in the old days of the Liberal administration. But we say to the manufacturers of agricultural implements that if the present extreme tariff system, which we are now trying to lower, continues in Canada it can have only one effect. Capital and labour will be driven out of the production of agricultural implements and into the production of other things, and so the agricultural implement industry will be killed not by the removal of protection but because this country has tolerated for too long a fiscal policy which has meant the ruin of agriculture, paralyzed trade, increased taxation and finally wiped out the industries which should provide the machinery used by the farmers in their business.

[Mr. Deachman.]

That is the situation. I am sorry my hon. friend from Greenwood is not in the house. If he were I would appeal to him, with the inherited knowledge that he must have of the past ninety years of this industry. When was it prosperous. Only during periods of relatively low tariffs, and it can never be prosperous if the high tariff is pressed down upon the Canadian people until their purchasing power is destroyed and taxes are forced out of them as they have been by this process during the last few years.

Now I come to another utterance by one of the distinguished dissenters. I refer, of course, to my right hon. friend the leader of the opposition (Mr. Bennett). It is thirty-one years since I started to listen to the right hon. gentleman, and I have always considered it a pleasure to hear him speak. I am frank to say that I have written about him for almost the same length of time, and never in all that period have I said an unkind word about him personally. I have said many things about the views which he has expressed, however, and if my health holds out I hope to say a good many more if he does not change his views. My right hon. friend has many engaging qualities. I like the cosmic sweep of his mind. I like his great capacity for infinite detail, but above all I like that note of final and ultimate authority with which he says, "This and this is so. Believe it, or you will be destroyed." Only the other day he stated in this house that he had made a very careful examination in regard to the sales tax, and what was his conclusion? He concluded this, and nothing else: That if the sales tax was raised another two per cent it would mean the destruction of the capitalist system. Think of that situation, Mr. Speaker. Karl Marx and all the great host of socialists, right down to Stalin, worked and laboured to destroy capitalism, and now, just in a breath, according to my right hon. friend, it has been destroyed by a few brief words delivered by the Minister of Finance (Mr. Dunning).

Well, my right hon. friend should know something about the sales tax. He was present when it stood at one per cent, and within a few years he had raised it to six per cent. He would not go above that; he stopped there. That was the brink of the precipice, but he was by no means so careful in regard to the tariff. Here are some of the items on which he raised the tariff. On blankets the tariff was raised from 20·45 per cent in 1930 to 44·82 per cent in 1934. I am including

in these figures, of course, the landing charges, sales tax and all the other things which operate to increase the price. Think of that, Mr. Speaker. Two years ago there was in Ontario a frost so keen that it killed every apple tree in the orchard of the old farm back home in Huron county, and at the same time the right hon. gentleman was raising the tariff on blankets until it was more than double the rate of previous years. On art silk the tariff was raised from 43¼ per cent to 86¾ per cent; on wool overcoats from 26½ per cent to 52½ per cent; on silk and wool hosiery from 26½ per cent to 70¼ per cent. These are only samples, and remember these are tariffs and imposts levied upon goods entering this country from Great Britain. Yet my right hon. friend was filled with the idea that we might be ruined by a paltry eight per cent sales tax. These are tariff heights indeed! Piling Pelion on Ossa, Everest on Aconcagua, and when he had reached these heights he gazed upward and wept because there were no further tariff heights to scale.

Then we have the dear old balance of trade. No, there is another one of which I would like to speak. There is the question of magazines. I want to quote the words of my right hon. friend on that, because they are very interesting, a wonderful sentence:

> Is it just or fair that the Canadian people, as a whole, should be called upon to pay half the amount of the tax that is received from one who buys this paper outside Canada rather than in it?

That is a bit confused, I am not sure what that means. Here it is:

> Is it just and right and fair that on a certain type of paper brought into the dominion for a certain specific purpose there should be a rebate of fifty per cent of the duty paid, and that we should ask the taxpayers of Canada to pay the balance? Is that right?

Now, when there is a reduction in duty the consumer does not pay it, he gets paid. That is what happens in this case; there was a reduction in the duty levied upon paper, and the Canadian consumer will get his dividend—I was going to say national dividend—out of the higher quality of the magazines produced.

What is the brief history of this industry? Simply this, that some years ago the magazine publishers of this country wanted a tariff, but later Mr. Fielding, instead of putting a tariff on magazines, because he protested against the idea of a tariff against thought, gave a drawback on the duties levied upon paper. In 1931, after duties had been imposed upon magazines or upon the advertising content, the Publishers' Association of Canada and the Agricultural Press Association of Canada wrote to the leader of the government of that day and said:

> The money paid by Canadian publishers in higher costs of materials and equipment should be available to them for use in increasing the effectiveness and number of their editorial pages. Canadian readers compare Canadian periodicals with all others and it is only by the production of publications of superior quality Canadian publishers can win and hold the interest of the Canadian people. If our publishers are compelled to surrender their revenues for unwarranted costs of materials and equipment they are prevented from making their editorial pages as good as foreign competition demands.

What does that mean? The publishers wanted the opportunity to develop in Canada a kind and style of publication which in appearance and editorial content would be equal to the best American papers, and what they asked of the government of that day was that paper, ink, engravings, art work, machinery and supplies used in production should have the duties reduced to a lower basis. They said:

> Given an even chance in cost of production Canadian publishers are able and willing to meet all competitors.

Mr. STEWART: Might I ask the hon. gentleman from what he is reading?

Mr. DEACHMAN: I am reading from a letter sent by the Magazine Publishers' Association of Canada and the Agricultural Press Association of Canada to the Right Hon. R. B. Bennett, Prime Minister and Minister of Finance, dated January 16, 1931, and I shall be very glad to let my hon. friend have the full text. It continues:

> If, in the national interest, it is considered advisable to lessen the forces of foreign literature in Canada, a growing benefit, over a period of years, will accrue to Canadian publishers.

And then this underlined sentence:

> But the solution of their pressing difficulties in the production of publications which will compare with all others lies in lower editorial and mechanical costs.

That is what they asked. They asked for what is given to other manufacturers, a chance to reduce the cost of their product so that they could compete fairly with American publications. They did not from that date until this ask for a duty upon magazines. Now that the Minister of Finance has done something for the magazine industry I predict that it will go forward with increasing prosperity just as it did in the days of Mr. Fielding. I have under my hand an item which shows what they did accomplish in that time. When the drawback came into effect eight leading maga-

zines were using 1,912 tons of paper per annum. At the time the drawback was cancelled in 1930 these publications required 5,283 tons per annum, an increase of 3,371 tons, indicating greater progress in eighteen months than had taken place in the previous ten years. I predict greater progress in the magazine publishing business in Canada in the next two years than has taken place in the last five under high protection.

Now a word about this ever-recurring question of the balance of trade. My right hon. friend the leader of the opposition, speaking in regard to it the other day, stated that too much emphasis had been given to it in the past. To-day I attack this general fallacy of the balance of trade on the ground that as far as Canada is concerned an increase in tariff is not conducive to a favourable balance of trade. Personally I care little whether the balance of trade is favourable or unfavourable. There have been times when we have been prosperous with an unfavourable balance; there are other nations which have been prosperous for generations with an unfavourable balance; also the reverse has been true. But I say that a high tariff policy is not conducive to a favourable balance of trade, and I prove it from Canadian history. Between 1878 and 1896 there were only five years in which there was a favourable trade balance; that is the time when protection was in flower and was guided by the master hand of Sir John A. Macdonald. During all the years of Canadian history, leaving out the war years and the immediate post-war years, the high favourable balances have been in times of low tariff and the unfavourable balances in times of high tariff. And may I point out—I am sorry that the leader of the opposition is not in his place, for I know he would agree—that in the years 1912, 1913, 1914, the adverse trade balance of Canada was larger in proportion to total trade than ever before, especially the balance with the United States, and what was happening then? My right hon. friend was in the house and he had not one word to say because at that time the Tory flag flew at the masthead and all was right with the world.

Now what is the problem before us? ? It is simply this: Are we to go forward under low tariffs, giving a chance for expansion and development, or go back to stagnation under high tariffs? I have no hesitancy as to which course we are going to follow. If you examine the history of all the depressions of the past what do you find? The nations moved out of these depressions when tariffs were lowered and trade expanded, or when there came into the situation some new factor which produced exactly the same result as an expansion of trade. In England one of the greatest world depressions followed the Napoleonic wars. Great Britain was not clear of that until 1846, the time of the repeal of the corn laws, but in the next ten years British trade made more progress than from the days of the invasion by Caesar until then. Why? Not only because of free trade but because about that time there came the industrial expansion which meant the development of England. Take the United States following the civil war; what happened? They passed through a depression; then came the opening of the west and the expansion by that means of the free trade area, and the United States moved forward into a great period of expansion because of the same basic cause; the free trade area of the country was expanded. Coming to our own country in 1896 what had we? Sir Wilfrid Laurier expanded trade by the adoption of the British preference; Sir Clifford Sifton helped in opening up the west and thus expanding the free trade area in Canada, and we entered upon a great period of development. That is the history—every time the world has moved out of depression it has been because trade has expanded and greater freedom has come to the people.

But what do we hear to-day? From various corners of this house, from all over the dominion we have other suggestions; let us try this; let us try that; let us have a little more currency; let us have a social dividend—whatever that means—let us have a just price; let us have some of the things which Premier Aberhart is promising to the people of Alberta anything except the thing which would make use free. Always and forever the human race seeks distant Pharpars and Abanas and will not take the remedy that lies at home. Under the government we have to-day we look forward to a movement in the right direction. We have made a start and are going forward. It is forward with Liberalism, freedom and progress, or backward to stagnation with the opposing forces.

Mrs. MARTHA LOUISE BLACK (Yukon): Mr. Speaker, it has been my privilege to listen to the budgets brought down from the time of the Right Hon. Mr. Fielding. I heard him bring his budgets down; he was followed by the Hon. Mr. Robb, the Hon. Mr. Dunning, the Right Hon. R. B. Bennett, the Hon. Mr. Rhodes and again Mr. Dunning. I have yet to hear one budget that has carried with it the unanimous support and approval of all parties; in very commonplace language, "someone's ox had always to be gored."

During the early part of this session we had the treaty between Canada and the United States. I did not want to vote against that treaty because I knew it was going to be of help to the Yukon. In the Yukon we import everything we use—our clothes, our food, our machinery. But in thinking the matter over, I felt conscientiously that I had to vote against that treaty because it affected the whole of Canada, and to explain my reason for voting against the treaty I must go back to the reciprocity agreement of 1911. During that campaign, when my husband was working very hard for the election of the hon. gentleman to my left (Mr. Stevens), I received from my father in the United States a letter written to him by an uncle of mine who at that time was president of one of the largest manufacturing concerns in that country. In that letter this uncle said, "There is an election campaign going on in Canada. It is for a reciprocity treaty, and we have stopped our building in Montreal. We are not going ahead in Toronto. If the treaty goes through, all our manufacturing will be done in the United States." Naturally, therefore, I felt that this treaty would hurt the factories, the manufacturers of Canada, and that is the reason I voted against it. As I have said, the Yukon imports everything and it exports what the world needs—gold, silver and a small quantity of other metals. I was pleased as a Yukoner when the treaty went through; as a Canadian I am still wondering.

During this session I have listened to speakers on all sides with reference to the railway question. First one speaker brings forward everything he can possibly think of against the Canadian National Railways. The Canadian National is the heaviest drain on the national resources, and the speaker will inveigh against carrying it on. A part of the press inveighs against the expenditures of the Canadian National system. On the other hand, speakers rise in the house and inveigh against the Canadian Pacific Railway, and a part of the press does the same. The Canadian Pacific is the heaviest taxpayer in Canada to-day. I have no brief for either railway, but at the same time it seems to me that as sensible men and women we should stop this continual sniping, first against one road and then against the other. As sensible people, as we value this country, as we value the future not only of ourselves but of our children and of our grandchildren, we should think of business first and of political sniping afterwards. I for one am sick of it.

I sometimes wonder how many people in this house or in the country would recognize the name of Onderdonk, one of the greatest railway builders Canada has ever known. In the early nineties I knew that man as intimately as any family friend; he was very much at home in my father's house in Chicago. I heard him tell tales of romance, hard work and the investment of capital in the building of the Canadian Pacific railway in the west, how those men blasted their way through the fearful mountain ranges. Others will say: But the government gave the Canadian Pacific a kingdom. Well, maybe the government of that day did give something to the Canadian Pacific Railway. But who wanted that kingdom at that time? When the United States bought Alaska, why did not Canada, why did not Great Britain buy it at the time for the paltry sum of $7,200,000? Because no one wanted it; and afterwards we say that we have done this and done that. Let us have some sense.

The Minister of Finance, to bring down a budget that would please everybody, would have to be a magician, a hypnotist and a prestidigitator all in one. I have never yet heard of that man in any country in the world. The sales tax will hit the Yukon quite a bit but I am hoping the treaty will offset that. The Yukon, as I said in very few words a short time ago, suffers some injustices from the federal government. Consider those civil servants who for years paid into the superannuation fund on both salary and living allowance. Some on retiring received from the fund the amounts which they had paid in. Suddenly the government, seemingly for no reason whatever, changed the order; retiring civil servants were told that they would be paid only on their salaries. The money paid into the fund on living allowance was refunded or an order was made that it should be. This was a most unjust, and, to me, an absolutely dishonest ruling. It is just as though one of you gentlemen had paid for life insurance amounting to $5,000 or $10,000. You paid your premiums year in and year out and you died. Your wife and family went to the insurance company to collect the insurance and were told by the officials, "Yes, true; we are sorry. Your husband did pay the premiums but we have decided that we can hardly afford to pay you the $5,000 or $10,000, so we will give you half." I have been told that the government should never have made this promise. I am not disputing that, but the government did make the promise. When a man retires, too old to take out other insurance, too old perhaps to work, why should he then be cheated in connection with what he has paid in?

As regards the Yukon—and I may say it is about all I know in this world—one heavy

charge that is made against us is on account of the telegraph line through northern British Columbia. I would suggest that the hon. member for Skeena (Mr. Hanson) try to get the government to put part of that charge on his constituency because it certainly is not fair that the Yukon should be charged with an amount of money which is spent in British Columbia.

Our government in the Yukon consists of a commissioner and council of three members, elected one from the Whitehorse district, one from the Dawson district and one from the Mayo district. I do not believe that in any place in Canada to-day is a more honest effort made by any government in power to spend every dollar to the greatest advantage. Our crying need is always roads, and yet more roads. This year the government in power has seen fit to be more generous to the Yukon, and the mining industry, which is the backbone of our life there, will benefit by that generosity.

In the early days of the Yukon mining was carried on largely by individuals, but in a few years that was changed. Huge grants of land were given to political favourites. One mining recorder walked from Dawson to The Forks at night and reported to the government at Ottawa that the tract of land over which he had walked in a few hours was not fit for individual mining, and these huge concessions were given to pampered favourites. The Klondike concession, forty miles of the Klondike river from rim to rim, the richest country in the Yukon, was originally given outright. The concession has changed hands from time to time until finally it is now owned by the Yukon Consolidated Gold Corporation Limited. That company has put up hundreds of thousands, nay millions of dollars, but owing to dishonest, corrupt or incompetent managers, it has always been in the red. It has changed its managership within the last year. During the recent campaign, in every small public meeting I held, I did not hesitate to say that the bunk houses furnished by this company for its men were not fit habitations for a well-bred dog. I am told that this company is now putting up, notwithstanding its failures in the past, another two million dollars this year. It is putting this money into new dredges; it is adding to its hydraulic machinery; it is digging new ditches, and there are also to be new camps for its men. I had letters recently saying that some of these bunk houses, the new ones, are well built, with large rooms, but as yet no accommodation for bathing, showers or anything of that sort has been provided for the men. This is not quite fair.

[Mrs. Black.]

Then, too, our work in that country is practically all seasonal; when the men sign on they sign on for eight hours, ten hours, or even twelve hours a day, and when these men sign on for the summer work for ten or twelve hours a day they must sign a paper saying that they will work for twenty-five cents an hour for any extra hours. That is not just. Someone may say: But why do they sign on then; why do that work? Well, I would say to you men here: If you had a wife and family or if you had no other way of living than by taking that work you would certainly take it if you were honest and decent and preferred to work rather than be on relief. The men work so hard during the summer of five, six or seven, and in very rare cases eight months, that they become almost automatons. They are worn out; they are weary; they are dragged, and they have little at the end of those eight months to show for the work they have done. One may say that they need not sign on, but they must sign on if they would do anything.

Then, again it is said that living up there is so much cheaper. Well, living is cheaper than it was in the early days when we had to pay $1 a pound for sugar and $3 a pound for butter, and everything else accordingly. Now, while living is cheaper, bread still costs twenty-five cents a loaf. In the summer when the fresh fruit comes in, watermelons are $3 apiece; honeydews or muskmelons—and we seldom get a muskmelon—are from $1.50 to $2.50. Chickens the year round run from $2.25 to $3.50 each, depending upon the size of the bird and the time of year. During the summer in the north we pay $18 a cord for wood, $10 a month for water for the house and garden, and $10 a month for our telephone.

So it does not seem to me that any reasonably minded man should hesitate if we could pass a minimum wage law in that north country providing for, say $4.50 a day for an eight hour day, with board, and for the extra hours accordingly. The past government tried to put through $1.25 for the regular hours. We have an eight hour law in the Yukon, but the government official who drafted that law is also an official and director of this mining company. I must say that the hon. Minister of Labour (Mr. Rogers) gave me an interview the other day and said that he would carefully consider this matter of the eight hour law in the north. At the present time the price of gold is twice what it was when the company first commenced work and had to

work under much more difficult circumstances than now.

We in the north are anxious to do what we can. I do not think we complain. We want to do the best we can not only for the north but for Canada as a whole. I think in my thirty-eight years of living in that north country I could count on the fingers of one hand the men who preferred loafing to working—yes, and then I would have several fingers left.

Under no circumstances do I wish to be unfair or to put an unnecessary handicap on industry. I want to be fair to the men who elected me. They were the labouring men of the Yukon. I want to be just as fair to the company which did everything in its power to prevent my election, because I understand perfectly well that no matter where we are, labour needs capital and capital needs loyal labour, and if capital and labour are always ready to spring at each other's throats the rest of us are hurt and the world is hurt.

The Yukon is pleased to learn that the topographical and mining surveys are to be continued this coming summer. I would only like to be allowed to suggest to the hon. Minister of the Interior (Mr. Crerar) that his deputy consider putting on these mining surveys some of our own boys in that north country.

I was elected as Yukon's representative by the combined vote of stand-pat Conservatives, friends of thirty odd years standing, and as well by the support of a number of genuine Liberals who were certainly not well treated by the representatives of their party in British Columbia and the Yukon. The Yukon is an enormous territory with great potentialities, and I would like to feel that the two ministers in the government who are most interested in that territory, the hon. Minister of Labour and the hon. Minister of the Interior, would visit us. They would receive the warmest kind of welcome. A few years ago it would have taken them weeks, nay months to make the trip, but with present day flying conditions they could make the trip from Ottawa to Dawson and return, going by way of the Hudson bay if they so desired, in less than two weeks. They would see things at first hand and could understand better than ever our needs and necessities. While not always agreeing with the policies of the government, as I said before, I do wish to thank the ministers for what they have done this session to help the Yukon. Again I extend an invitation to the members of the government to visit us and to know at first hand what we need.



Mr. O. B. ELLIOTT (Kindersley): Mr. Speaker, I welcome the criticism of the hon. member for Huron North (Mr. Deachman), because I believe that any policy which cannot stand the criticism of this House of Commons is not worth advocating. I expect the minister will hear more in reply to the criticisms the hon. member has made. I wish to associate myself with hon. members who have extended congratulations to the Minister of Finance (Mr. Dunning) upon the very impressive manner in which he presented his budget speech. I am sure that all those within hearing distance must have been impressed with the sincerity with which he delivered his speech. However, things were different when one was away from the influence of his great personality. Upon rereading his speech we then saw that there were some things lacking in the fulfilment of our desires. It takes a considerable amount of, I might say intestinal fortitude for a new member to attempt to criticize an important document of this kind, and in speaking this afternoon I speak more in the spirit of suggestion than in that of criticism.

Practically every thoughtful person must have given considerable study to the various systems by which we hope to realize our desires in obtaining a solution of the present difficulties in our economic system. Reviewing some of the assertions made by different ministers with regard to cooperation between th federal government and the various provincial governments, I found a piece of legislation passed by the Saskatchewan legislature. Bill No. 120, an act to amend the Local Improvement Districts Relief Act, is somewhat in line with the principles that have been advocated. Section 2 reads as follows:

> The minister may make advances by way of loan to settlers resident in local improvement districts or in rural municipalities for the purchase of food, clothing and building material, for medical and hospital care and treatment, for the purchase of work stock, milch cows, brood sows, poultry, feed, fodder, petroleum products, seed, machinery, implements, repairs to implements and parts and binder twine, for the payment of freight on settlers' effects, homestead entry fees, timber or hay permit fees and for improvements on crown lands and other lands, for the purpose of breaking land, the surveying of drainage of land for settlement purposes, and the moving and reestablishment on land of persons on relief or about to become public charges.

The only difficulty in connection with this bill is to be found in section 1, which reads as follows:

> Subsection 1 of section 5 of the Local Improvement Districts Relief Act, as amended by section 4 of chapter 38 of the statutes of 1934-35, is further amended by striking out

the words "at the rate of four and one-half" in the sixth line and substituting "at a rate not exceeding six."

Subsection 2 of section 2 reads:

Every loan made under subsection 1 shall be a charge upon all the property, real and personal, of the person to whom it is made and shall be repaid at such time or times and in such manner as the minister may by regulation provide.

It seems to me that our financial system is always trying to saddle our people with the maximum load of interest they can bear instead of making a minimum rate, which is the most desirable. In Saskatchewan the rural population is 79·7 per cent of the whole and the welfare of the whole province is vitally dependent upon the success of the farmers. During the last five years the equilibrium of the province has been upset because of financial conditions which have compelled many farmers to seek avenues of revenue besides the farm. Many of them have gone to the towns to open up business ventures of various kinds. Most hon. members are familiar with the law of diminishing returns. A town with a given population can support only a given number of business places. Many of these farmers have opened up stores, trucking concerns, garages and other places of business, and the result has been disastrous to many of the old established places. Many of these old firms had extended credit to farmers during the difficult days of crop failures and they were forced to compete with new ventures which were opened up debt free and carried on mostly on a cash basis. The result was that many of the older firms eventually went into bankruptcy.

It seems to me that Canada is making exactly the same error in connection with our transportation system. We built thousands of miles of railway lines and then we proceeded to construct highways practically parallel to the railway lines to serve a population which was not increasing at the same ratio as we increased our transportation facilities. The trucking business is not sufficiently well controlled, as far as financing is concerned, and it is not compelled to abide by any fixed charges.

At six o'clock the house took recess.

## After Recess

The house resumed at eight o'clock.

Mr. ELLIOTT (Kindersley): When the house rose at six o'clock I was saying that the trucking business is not sufficiently well controlled to compel the operators to abide by any fixed charges. I know of many cases during the last few years where small truckers have gone into that business to provide themselves with some means of sustenance. They found the rates charged by going to the railway station and obtaining the classification and rates on freight between given points, and then, in order to obtain business, they transported their goods at a smaller charge. In addition to this we are also providing assistance to all manner of shipping, both foreign and local, through a free canal system. When hon. members consider that the Canadian National Railways spent during 1935 about $24,000,000 on their right of way, they will agree that it is hardly consistent with good business to provide free means of transportation for other systems. We have in Canada 509·4 miles of canals, giving us 1,846 miles of waterways open to navigation. Since the commencement of the building of canals, Canada has spent $336,564,618, on which revenues of $30,851,699 have been received, $14,000,000 of this being between 1868 and 1910, in which latter year canal tolls were cancelled. The estimates this year show that we are about to spend many more millions on harbours and canals.

Records shows that in 1934, 22,217 Canadian and 2,044 United States vessels, with a registered total of 17,736,818 tons, used our canals. Freight carried was as follows: Canadian, 10,813,922 tons, or 59·8 per cent; United States, 7,255,330 tons, or 40·2 per cent: passengers handled were 69,990. The 1935 returns show a total of 25,694 vessels, with a tonnage of 18,204,468 tons, or an increase of 135,216 tons. If hon. members will compare this with the revenue freight handled by the railways, it will be observed that on the Canadian National Railways the revenue tonnage was 38,807,718 tons, and on the Canadian Pacific railway, 26,094,183 tons, or a total of 64,910,901 tons, so that the canal handled almost 30 per cent of the total revenue tonnage. In addition to this, people in their criticism fail to make note of the thousands of tons of freight, both carload and less than carload, that have been handled free during the last few years of depression, and I might say that the people in my constituency who have received quite a large part of this relief appreciate the services of the railways.

I wish to place on record comparisons of the traffic between the ports to indicate the service given by our canal system: Between Canadian ports, upstream, 4,063,850 tons; down, 6,119,551 tons; Canadian to United States ports, 1,895,272 tons up, and 197,614 tons down; between United States ports, up, 398,815 tons; down, 551,523 tons; United States to Canadian ports, up, 162,102 tons;

down, 4,680,525 tons. During the season of navigation 140 cargoes, or 211,169 tons of freight, passed up the St. Lawrence canal from Europe and north American Atlantic ports. This included 22,704 tons of anthracite coal, all for Toronto, from England—and this, it may be observed, was in competition with our Canadian coal—56,058 tons of wood pulp, almost entirely for United States ports, from Norway, Sweden, Germany, Esthonia, and the maritime provinces; 61,372 tons of pulp wood for Thorold and Oswego area and other United States ports, all but one cargo being from the maritime provinces. A great deal of this freight was handled by Norwegian tramps in competition with our own vessels. In 1935 wood pulp carried on the St. Lawrence amounted to 380,876 tons, and pulp wood, to 619,907 tons, and a large amount of hard and soft coal was transported as well. During the present year, from April 24 to May 8, 148 Canadian, two American, and seven foreign boats, principally Norwegian, were engaged in handling wood pulp, china clay and merchandise.

I note also that, according to the Montreal Star of May 7, three more Norwegian tramps have cleared their ports with sulphite pulp billed to Montreal. On May 5 the Montreal Star states:

> More tramps have been chartered to go to the head of the lakes and take grain from there to Europe. Lake ship owners are anything but pleased, for they say they have plenty of ships available. One lake ship man bitterly complained yesterday that wages were about one-third on the Norwegian tramps what they were on Canadian ships. Canada has plenty of lake ships, but cannot compete against the Norwegian tramps on toll free canals, he complained.
>
> Among those going up to take Canadian grain at the head of the lakes are Audun, Komet, Lab, Rondo, Bette, Bonde, Ornefjell, and Asgerd.
>
> The Norwegian tramp, Margit R., which passed up the canal for the lakes, was the first ship to go by this year with her boilers on deck. She had a load of coal from Swansea to Toronto.

In the Star of May 6 I find the following criticism:

> An equally menacing form of competition to Canadian railways is to be found in subsidized waterways. Operators on these, who at one time were primarily occupied in moving bulk products, are increasingly encroaching on package and other freight. It is hoped that the government will give active consideration to plans for making inland waterways self-supporting. The development of the methods of transportation which compete with rail services has been very largely the result of large public expenditures made without any real consideration of the economic consequences. The railways are naturally interested in corrective measures, but it should not be forgotten that the interest of the taxpayers in the sound financial policies of public authorities is even more pressing....
>
> All railways on this continent are being subjected to increasing competition from highway transport. It cannot be doubted that the motor vehicle has a permanent place in our economy, but it is equally true that the railroad has not been supplanted as the most important element in the transport field. It would appear that the proper function of the motor vehicle is to serve as a supplement to, rather than a substitute for, railroads.
>
> Highway transportation of freight, in its present form, has suffered from acute internal competition and cannot be regarded generally as a proven economic enterprise.

Canadian railways have also lost a considerable amount of traffic through the Panama canal. Of 2,201,180 tons of Canadian traffic originating on the west coast, 498,706 tons were destined to Canada's east coast; of 196,204 tons originating on Canada's east coast 189,227 tons were destined to Canada's west coast. The report of the governor of the Panama canal zone for the year ended June 30, 1934, reveals that 5,553 vessels, with 28,566,595 canal net tonnage, passed through the canal, and the tolls collected amounted to $24,063,789. It seems to me that toll charges on a similar ratio on the Canadian canals would provide a return of possibly $18,000,000 or $20,000,000.

There is no doubt that the solution of our railway problem is increased business, and I believe also that there should be a department of transport possibly along the lines set out in the resolution which is No. 28 on the order paper, and which states:

> That it is expedient to provide for a department of transport to comprise the present Department of Railways and Canals—

The greatest deterrent to the business of Canada, of course, is not only the heavy taxation in the municipalities, cities and towns, but also the indirect taxation. As far as our housing scheme is concerned, it is impossible for the great majority of our people to build houses with money at five per cent and taxes at their present rate. If we take into consideration the income tax returns for 1934 we shall readily see the impossibility of a large number of Canadians ever owning their own homes. The income tax returns show that in Canada in 1934, 390 persons received $100,000 or more; 1,853 persons received between $25,000 and $100,000; 28,896 persons received from $5,000 to $25,000; 246,057 received between $1,000 and $5,000, and 3,765,971 had incomes of $1,000 or less.

We should take a lesson from the past; the enormous interest and tax burden that we have attempted to meet could be explained by the national policy introduced by Sir John A.

Macdonald in 1879. In its essentials that policy was based upon a protective tariff and sound money. It has been demonstrated that it was based also upon the mistaken idea that the individual Canadian must spend a lifetime working for the system built up under the national policy, and must be content to accept in return whatever may be left after all other demands have been met. It may be said that it is one thing to make this broad statement and another thing to prove it, but this is the experience of the last fifty-six years: In 1936 the population of Canada only slightly exceeds the population of 1879. In the interval Canada has absorbed some 3,000,000 people from Europe, who have displaced or replaced young Canadians who have moved to the United States, where the Canadian population is said to exceed 15,000,000. In the fifty-six years to which I have referred the existing public utilities and fixed assets of Canada, including the railways, have been put into place on such terms and conditions that Canada owes more than the entire cost of construction, and more than the replacement value. The weakness of our present system is that it maintains poverty as a necessary and recognized institution, and seeks to carry a religion of faith and idealism on the backs of the people who are oppressed by material necessities and human ills.

This is only another way of saying that the system has always insisted upon maintaining poverty in the midst of plenty, dividing the people into rich and poor, enforcing the rights of property by power of law, and restricting human rights to every extent necessary to keep money sound. An individual cannot eat ethics, and in all sincerity I say that there should be credited and devoted to the factor of restoration in Canada a fully adequate share of the credit and money of the nation. There must be a restoration, by immediate remedial action, of an adequate Canadian standard of living. Nothing less and nothing else will satisfy the electors of Canada. This country can be made the richest nation, per individual of population, in the world; the assets exist but are locked up most securely.

Mr. T. C. DOUGLAS (Weyburn): Mr. Speaker, I had not intended taking part in this debate, but in view of the fact that I seconded the amendment moved by the hon. member for Vancouver East (Mr. MacInnis), I feel that I ought to make a few observations with regard to the salient points of the budget.

May I begin, like others who have preceded me, by complimenting the Minister of Finance (Mr. Dunning) upon the comprehensive manner in which he presented his budget, and on the earnest and sincere way in which he approached this great problem.

First of all I should like to mention some of the features in this budget that seem commendable to me, coming as I do from an agricultural constituency in western Canada. The reduction in the intermediate tariff rate on gasoline and distillate, if it is reflected in a reduced price to the consumer, will be of great benefit to western farmers, particularly in those areas where they are largely machine farmers. There gasoline and distillates enter into the production of their crops. Covering large areas, as they do, this is part of their cost of transportation, and a large part of their income is used up in buying gasoline and distillate. Therefore, Mr. Speaker, if this reduction in the tariff rate is reflected in a reduced price, as we hope it will be, we feel that the Minister of Finance is to be congratulated upon having taken this step.

We believe also that the $100 worth of goods which may be brought into this country by tourists is a commendable feature. I do not feel that I want to take advantage of this provision; I have always felt that one ought to spend his money where he earned it, but while I would not want to take full advantage of this offer the fact remains that because of the times in which we live thousands of people are compelled to make their dollar go as far as possible. There has been a concerted demand, particularly from along the boundary, that the privilege now enjoyed by residents of the United States should be extended to Canadian tourists, and I feel that in taking this step the Minister of Finance has done something which will be in the best interests of our people.

I think, too, that the increase in the corporation tax to fifteen per cent is a move in the right direction. In the United States for some time past they have had a corporation tax of sixteen per cent, so a fifteen per cent tax is not at all out of proportion. It is only right that those who have made large profits out of the society in which they live, and have been able to make them only because of the existence of the society, should pay a fair share towards the maintenance of that society.

But most of all is the minister to be congratulated upon the lowering of the tariff on farm implements. The hon. member for York South (Mr. Lawson) said the other evening that while we of agricultural constituencies might be glad, he, thinking of the workers, was not at all happy about this. I would point out that never to my knowledge has a protected industry been an industry which has looked after the workers. In fact it is

commonly said that protected industries have been the most sweated industries and those in which wages are lowest. We, too, are interested in the workers, but I hardly think that the worker will be helped very much by high tariffs on farm implements. But if lowering the tariff on farm implements means a lower price to the farmer, this will be of great material benefit. I say "if"; it has not always been the case. I have in my hand a report of the Searle Grain Company dated Thursday, March 19, 1936, in which they list ten farm implements. I am going to read the prices in 1913, 1935 and 1936, and the increase in price from 1913 to 1936:

| | 1913 | 1935 | 1936 | % Increase 1913-1936 |
|---|---|---|---|---|
| Drag harrow. . . | $ 14 | $ 16 | $ 17 | 18 |
| Steel tray barrow. | 5 | 6 | 6 | 26 |
| Wagon and box. . | 101 | 143 | 156 | 55 |
| Walking plough. . | 23 | 28 | 28 | 22 |
| Seed drill. . . . . | 144 | 237 | 248 | 72 |
| Hay rake. . . . . | 36 | 57 | 59 | 66 |
| Eight foot binder. | 194 | 262 | 280 | 44 |
| Mower. . . . . | 60 | 94 | 102 | 71 |
| Disc harrow. . . . | 46 | 71 | 73 | 59 |
| Gang plough. . . . | 90 | 135 | 135 | 50 |

This reveals the fact, that to-day one would have to spend three bushels of wheat to buy the same amount of farm machinery that in 1913 could have been purchased for one bushel of wheat. It shows that the cost of farm implements had increased out of all proportion to that of the other commodities the farmer has to buy either to produce or to live. But the most significant fact is that out of the ten items I have listed seven have increased in price since last year. We heard a great deal during the general election that if only we could get a lower tariff on farm implements the cost to the farmer would come down; yet the fact is that of the ten listed seven are higher this year than last. Therefore in the west we are apprehensive. We are hoping, and I think the Minister of Finance is hoping, that this decrease of five per cent in the tariff on farm implements will mean a decrease in price. If it does he is to be congratulated. I am not going to say any more about this because a committee has been set up to investigate the matter and I do not wish to anticipate its findings, but if this reduction in tariff is not followed by a reduction in price there will be great disappointment among the agricultural producers of western Canada.

I am very glad to be able to congratulate the Minister of Finance upon these things: the lowered rate on gasoline, the increased corporation tax, the permission to bring back $100 of goods free of duty, the lower tariff on farm implements. Sometimes hon. gentlemen opposite have taken the attitude that we in this group delight to find fault. That is not true; we are only too glad to congratulate any minister upon a fine piece of work. When we criticize, as I must now proceed to do, it is not because we love the Minister of Finance less but because we love Canada more.

I shall confine my remarks particularly to the first part of the amendment moved by the hon. member for Vancouver East (Mr. MacInnis):

> This house regrets that the proposals submitted by the Minister of Finance on May 1 are entirely inadequate to meet the acute and serious situation prevailing in Canada.

I was interested to find that those words are exactly the amendment which was moved last year by an hon. gentleman who is now of the government party. I felt that conditions had changed so little since last year, that this amendment was still very much in order. There are in the budget two things particularly which do not commend themselves to me: first, the inequality in the raising of the national revenue, and, second, the inequality in the expenditure of it.

As to the inequality in the raising of the national revenue, one would naturally have expected that since the country is facing a large deficit there would have been a substantial increase in the income tax in the higher brackets. But such was not the case. Lest some might think that, perhaps, there are no higher brackets of any consequence, I have in my hand figures of the incomes assessed for income war tax in Canada, in 1934. Reading at page 5, I find the following figures:

| Number of Incomes $5,000 and Up | |
|---|---|
| 1930 | 41,455 |
| 1931 | 43,150 |
| 1932 | 39,305 |
| 1933 | 31,134 |
| 1934 | 23,344 |
| **Number of Incomes Over $25,000** | |
| 1930 | 2,293 |
| 1931 | 2,430 |
| 1932 | 2,358 |
| 1933 | 1,602 |
| 1934 | 1,237 |
| **Incomes of $50,000 and Over** | |
| 1930 | 603 |
| 1931 | 601 |
| 1932 | 614 |
| 1933 | 390 |
| 1934 | 307 |

A close scrutiny of these figures reveals the fact that about forty per cent of the population are receiving about seventy-five per cent of the national income, leaving about twenty-five per cent of the national income

to be divided among the other sixty per cent of the people. This means that those who are receiving large incomes have, in relation to what they receive, very little taken from their average purchasing power by the tax. Two things, it seems to me, ought to be done. First, the names of these people and the amounts on which they pay income tax should be published. We ought not to wonder that suspicion is rampant. We cannot wonder that people misunderstand, when the governments hesitates to print the names and amounts received by these individuals. The other thing is that without hurting these people very seriously, we could grade steeply the income tax, not only in steps of $5,000, but every $1,000, so that each $1,000 might pay proportionately higher than the preceding $1,000. One would have expected this to be done, but it was not. The Minister of Finance spoke quite longingly about Great Britain; yet we know that to-day Great Britain has very steeply graded her income tax, with the result that in some of the highest brackets as much as fourteen shillings in the pound is taken. But no such step has been taken in this budget.

Then we suggested that a levy might be taken on wealth.

Mr. DUNNING: Before my hon. friend leaves the income tax, would he permit a question? In making comparisons with Great Britain, has my hon. friend added to the federal income tax in Canada the provincial income taxes now prevailing? There is in Great Britain only one income tax whereas in Canada there are two and sometimes three.

Mr. DOUGLAS: No, I have not added the provincial income tax; but the fact remains that the provincial income tax, like the federal, does not emphasize the higher brackets. It is the people in the lower brackets, and not those in the higher brackets who pay the major part of the national revenue.

The second thing we suggested was a levy on wealth and undivided profits. The hon. member for Kootenay East (Mr. Stevens) said that he could not support our proposal because it was a move in the direction of socialism, and yet he proceeded to suggest a reduction in interest rates on bonds, which really would have the same effect but would not distribute the burden as equally. To cut interest on bonds indiscriminately—and we are in agreement with a reduction in interest rates—would strike not only at the large financier but at those people who are dependent for their livelihood upon small groups of shares, life insurance policies, annuities and so on. But by levying a tax on wealth you would take from those who have and who can best afford to contribute revenue towards the support of the country. Let me take an example. On page 52 of the price spreads report I find that the Imperial Tobacco Company and subsidiaries showed, from 1929 to 1933, undivided profits amounting to $11,886,573. On page 115 I find that the Macdonald Tobacco Company at the end of 1933 had undivided profits amounting to $594,432, despite the fact that the president had taken out $260,000 annually since 1930. These are two instances. Surely they are not isolated; surely there are in Canada other accumulations of similar undivided profits. Surely, therefore, these are places to which we ought to go in all fairness to gather some of the revenue by which to finance the dominion. It was suggested this afternoon that this is a socialist measure; yet it was tried in Germany by the government there, not socialist, on two different occasions to meet financial crises. I would not vouch for the authenticity of this, but it has been estimated that by a levy on wealth in Canada, spread over a period of five years, it would be possible to get somewhere in the neighbourhood of $2,000,000,000. I suggest that that is worthy of serious consideration.

We suggest further that some revenue might be raised by inheritance taxes. In Great Britain to-day when men are leaving behind them large fortunes to their next of kin the state feels that in view of the fact that they made those fortunes within the country and by the aid of all the people in the country, the people of that country have a right to some share of those fortunes. This would be a good place to work out what the hon. member for Huron North (Mr. Deachman) suggested. He spoke of our cultural heritage; he said that we have this and we have that. I could not help wondering whom he meant by "we"; a good many people are not included in that "we," for a good many people have not much of an inheritance. It is true that there are books and all the other fine contributions to our cultural heritage, but they are not procurable by thousands of people, and these things might be made available to these people through the collection of inheritance taxes on fortunes passed on from generation to generation. In Great Britain to-day by the time a fortune has passed through the exchequer, one-third has been taken for government revenue. But this government did not see fit to raise money in any one of these ways; rather, it chose to raise money largely by increasing the sales tax from six to eight per cent.

Mr. DUNNING: Does my hon. friend or his party advocate adding a federal inheritance tax to the already existing succession duties? It would help a great deal to have that clarified.

Mr. DOUGLAS: Most decidedly, and also equalizing them throughout the provinces so that no man might move from one province to another where the rates were lower. There can be no more pernicious form of taxation than the sales tax. I will not go into the details of it, but there are three facts to be pointed out in connection with it. In the first place, it takes from the consuming power of the great mass of consumers; the average man, in other words, will have two per cent less to buy goods with; there will be two per cent less for the storekeeper, and two per cent less going into circulation. I remember seeing last year large bill-boards showing a man tied up with ropes, and there was this inscription, "Let him free; vote Liberal." Yet here we are tying up internal trade in the most effective way possible by taking two percent more from the pockets of the people. But there is something else. Like the sugar tax, the sales tax affects largely those who have the biggest families and who have to buy the basic necessities of life. When people have to buy sugar for five or six or seven children they pay five or six times as much under the tax, whereas people who do not spend their money on basic commodities pay less. We all remember one of the axioms in the economic text-books, called Jevin's Criteria, where it is pointed out that the smaller the income the larger the proportion that goes for basic necessities, whereas, in the case of larger incomes, more goes in investments, education and in other directions. Consequently the major part of the sales tax will have to be borne by people who can least afford to pay it. The old couple with their $20 a month old age pension, buying a few groceries—

Mr. DUNNING: No.

Mr. DOUGLAS: It will work back indirectly to them.

Mr. DUNNING: Has the hon. member studied the list of exemptions?

Mr. DOUGLAS: Yes. The fact is that it will work back to them. We need not imagine that the storekeeper will pay.

Mr. DUNNING: How can it work back on an article on which it is not payable?

Mr. DOUGLAS: I am quite well aware of that, but the minister is stepping aside from the point. Industry uses machinery and it will cost industry more to produce certain articles; consequently the tax will be passed back in the price charged to the consumer. Whether we realize it or not, the consumer will pay indirectly. He will pay in the long run, and it is those who have to buy these commodities who will have to pay the large share of the sales tax. It seems to me that this budget will give us confidence, if possible, at the cost of human security. As one reads the budget one feels that the minister or the government evidently believes that "for whosoever hath, to him shall be given; and whosoever hath not, from him shall be taken even that which he seemeth to have."

May I say a word now about the amendment to the amendment moved this afternoon. We in this group feel that we can agree with the amendment to the amendment inasmuch as it is couched in general terms, indicating very generally the desire to have consumption brought into line with production. But we cannot vote for this subamendment because it is moved in substitution for the amendment we now have, and to vote for it would be automatically to support the sales tax which we have condemned in our own amendment. We feel that perhaps the most pernicious thing in the entire budget is the levying of the sales tax, which has been increased by 33⅓ per cent, and that to vote for this subamendment, agreeing with it as we do in general terms, would be to vote in favour of the sales tax, to which we are opposed whether it be levied by a provincial or federal government.

I should like now to turn attention to the inequalities in expending the national revenue. The main item of expenditure in the budget is the interest on the national debt of $3,432,000,000, an interest charge of $134,550,000, or 36 per cent of the budget. When we add to that the share of the Canadian National Railway deficit which the government pays, $47,000,000, that accounts for another 12 per cent of the budget, and with the loans which will be made to provincial governments to help clear up debts it will be seen that nearly fifty cents on every dollar of this budget is going to pay interest charges in one form or another. Now I would ask the government a question, the same question they have been asking us ever since this session started: Where is the money coming from? Almost $200,000,000 goes to pay in-

terest charges in one form or another. That is to say, 62 per cent of the entire budget goes to pay fixed charges. Where are you going to get the money?

Mr. DUNNING: Will my hon. friend permit a question?

Mr. DOUGLAS: Certainly.

Mr. DUNNING: My hon. friend, or his colleagues at all events, has made the suggestion that some of the money should come from a levy on large accumulations of capital. I would appreciate it, looking as I always am for constructive suggestions, to have that defined in simple terms because my hon. friend in discussing it to-night spoke merely of large accumulations of liquid capital. Just what is meant—large accumulations of capital of all kinds, or merely large accumulations of liquid capital?

Mr. DOUGLAS: The term used—I hope, Mr. Speaker, you will take note of the time occupied by interruptions—

Mr. DUNNING: My hon. friend asked a question.

Mr. DOUGLAS: That is all right. I am simply asking the Speaker to remember the time at my disposal. We said that there should be a levy on wealth, not on capital.

Mr. DUNNING: No, on large accumulations of capital.

Mr. DOUGLAS: The statement I made —and Hansard will bear me out—was a levy on wealth.

Mr. DUNNING: I am reading from your amendment.

Mr. DOUGLAS: All right. After all, capital is merely wealth used to produce more wealth, so it is merely quibbling over terms. Surely the minister will not deny that capital is wealth used to produce more wealth. We would place a levy on wealth. It might be liquid wealth, or merely frozen assets, and it could be paid over a period of time either in cash or in the form of securities.

Let me return to my question: Where is the money coming from? That is the question the minister asks us every time we propose anything. Here is $200,000,000 required to pay interest charges. Where are you going to get the money? Of course, we know where. The money will come from the revenues of the country. In other words, this is a fixed charge; it is something that must be paid. But the other 38 per cent of the budget is not composed of fixed items. In other words, social services are not to be recognized as uncontrollable items of expenditure in the budget; only these interest charges are to be so regarded.



Let us consider our sense of values for a moment. The interest that we have to pay on our funded lebt accounts for 36 per cent of the total budget. Unemployment relief last year took $49,469,000 in round figures, or 13 per cent of the total; the Canadian National Railway deficit, $47,400,000, or 12 per cent of the total; the amount paid on wheat and oats, $6,770,000, or 1·5 per cent of the total; the amount paid out by the farm loan board, $7,933,000, or 1·6 per cent of the total; old age pensions, 4·5 per cent of the total; public works, $80,000,000, or 20 per cent of the total. In other words, if we add the amounts for unemployment relief, Canadian National Railway deficit, wheat and oats, we are still paying less for all that than we pay in interest charges on our funded debt.

Mr. DUNNING: Why not include all pensions while you are at it?

Mr. DOUGLAS: Just a moment. On May 1 the minister spoke for two and a half hours, and I do not remember that I interrupted him.

Mr. DUNNING: I am sorry.

Mr. DOUGLAS: I have only forty minutes, and it is passing very quickly.

Turning to our expenditure, we find in the estimates, in round figures, $13,377,000 for national defence; $4,130,000 for the air force; and in the supplementary estimates $5,317,000 for national defence, making a grand total, in round figures, of $22,825,000, or an increase over 1935-36 of $1,284,000. That is what we are spending on military estimates and national defence. We are spending on our legation at Geneva $614,890, a decrease of $10,502 from last year. In other words, Mr. Speaker, we are spending over forty times as much for war preparations as we are in the interests of peace.

We do not expect the minister to find the money growing on gooseberry bushes. We know he has a limited amount of money to spend, and there are a great many demands upon him, but we submit that pensions for the blind, an extension of the old age pension, some type of health policy, and legislation to take care of those who are crippled and incapacitated, are all items which ought to have a place in the list of expenditures. When it comes to finding money for these things the reply is: We have not the money. But when it comes to finding the money for interest charges—that is a fixed charge.

What is the government's policy as revealed by the budget? I think I am right in saying it is three things: Extension of external trade, a balanced budget, and protecting the credit of Canada. The Minister of Finance said that our external trade had increased by ten per cent, but at the same time he said, as reported on page 2363 of Hansard:

> One of the most disappointing features of the business improvement so far is that the numbers of those on relief do not decline at the same pace as business activity recovers.

I think the government will come very slowly to the position to which we have come, that even with return of normal business activity we shall not have a return of prosperity, and a return to the former volume of trade and business activity will not mean the wiping out of unemployment or the solving of our economic difficulties.

The second feature which the minister stresses is a balanced budget. That can mean only one thing. There can be no cutting down on the fixed charges representing 62 per cent of the budget, and so it means that any cutting down must be on the other 38 per cent, unless we are prepared to tax these bondholders or cut the interest or principal of their bonds. Then a balanced budget must mean the cutting down of relief, pensions or some other type of social services. I wish to submit that wherever that has been attempted it has been a failure. It has meant higher taxes, fewer social services and a lower standard of living for the great masses of the people.

The other suggestion is that we shall protect the credit of Canada. What we mean when we talk about protecting credit is that we shall prevent any type of inflation which would hurt the creditor and help the debtor. Deflation has always been in the best interests of the creditor; inflation has always hurt the creditor. The Minister of Finance shakes his head, and yet is it not true that the creditor who has invested his money when money was cheap, and then experiences a period of deflation such as we have had in the last five years, finds that the return he gets from his money is a return in a dollar which will buy two or three times as much as the dollar he invested? Consequently a period of deflation is a paradise for him, but it is very different for the debtor who must pay back. Therefore, when we talk about protecting credit we really mean we intend to prevent anything which might upset the present state of deflation. In this corner of the house we are not inflationists, but neither are we deflationists. We have advocated managed currency, namely that currency and credit should be issued in proportion to goods.

In Germany there was a state of true inflation; she issued money which was valueless. Why? Because that money had nothing behind it. She did not produce goods in proportion to her money, so her money was worthless. In Canada we have done the opposite. We produce goods in abundance, but we have not produced sufficient money in proportion to purchase those goods, and the result is that we have deflation. Money without goods back of it is bad, but goods without money to purchase them is just as bad. It can be only by the issue of currency and credit in proportion to the goods issued that we can hope to establish a managed currency which will give the people purchasing power to consume the goods which they themselves have created.

A few days ago the Minister of Labour (Mr. Rogers) said that he did not mind going forward, but he wanted to know where we were going. He believed in progress, but he said that he wanted ordered progress. I look over the budget, and I wonder whether the government knows where it is going. Is there any ordered progress? I look through public works expenditures placed here and there in a haphazard fashion, and I see no concerted financial policy.

It is true that during the election campaign hon. members such as the hon. member for Vancouver-Burrard (Mr. McGeer), the hon. member for Rosthern (Mr. Tucker) and the Minister of National Defence (Mr. Mackenzie) did enunciate some type of financial policy which might have been of value, but to date we have heard very little about it in the budget debate. As a matter of fact we have heard nothing constructive, and nothing to suggest that the government knows where it is going. Instead of that the tone of the budget and the demand of the minister on May 1 was: Back to May 1, 1930.

I submit that this is no time to go back. We can hardly expect a policy which brought us into this mess to pull us out of it. If a program could not prevent the greatest economic crisis in history, then it cannot hope to pull us out of it. Surely no hon. member thinks we can get out of the mire by tugging at our own shoelaces. This is not the time to tread beaten paths; it is time for the government to blaze new trails. The slogan of the government ought not to be: "Back to 1930"; it ought to be: "Forward, to greet the new day."

Mr. H. C. GREEN (Vancouver South): Mr. Speaker, listening to the budget speech delivered by the Minister of Finance (Mr. Dunning), and reviewing it with its various statements and tables as reported in Hansard one could not help being impressed with the seriousness of the problems facing Canada; neither could one fail to realize the burden being borne by the Minister of Finance, and for this reason, and also because he bears his burden with a smile, I cannot find it in my heart to deal harshly with his budget. I must say, however, that in many respects I dislike it; time alone will tell whether or not he has been wise, and in due course he will have to answer to the people of Canada for any mistakes. Meanwhile I wish to offer one or two suggestions in regard to the budget, and to place squarely before the house the question of aviation in Canada.

Dealing, first, with the budget, I would earnestly suggest that the minister reconsider the provision whereby goods valued at not more than $100 may be brought into the country free of duty by Canadian residents, after an absence of not less than forty-eight hours. Surely a provision such as that should apply only to travellers or tourists, and not to shoppers. If it is properly restricted there is some justification for the provision, although as all hon. members are aware, it will seriously affect the revenues of the dominion. I suggest, however, that the provision in its present form is simply an invitation to Canadian people living near the border to shop in the United States. As such it will seriously affect Canadian retail business and will set up one more magnet to draw our people to the south, instead of having them transact their business east and west in our own country.

Let me give as an illustration the situation in the city of Vancouver. The people on relief and those who are not fortunate enough to own a car, will have to buy their goods at home and probably at higher prices; they will have to pay a sales tax on most of the goods they need, which, by this budget, is increased from six per cent to eight per cent; in other words the poor people will get no help from the provision. On the other hand the man fortunate enough to own a car could quite justifiably get into his car in Vancouver on Friday night, after his day's business is concluded, drive to Bellingham or Seattle and return Sunday night, bringing with him, under this provision in the budget, groceries valued at $100; or if he chose he could bring back $100 worth of clothing; he could even go there and buy furniture on a time payment plan; for example, he could buy a vacuum cleaner valued at, say $90, making an initial payment of $9 or $10 and agreeing to pay the balance under a hire-purchase agreement; and he can bring those goods back to Canada free of duty and free of sales tax. Surely the minister does not intend to have the provision go that far. If he does not, then I would suggest that the length of absence from Canada be extended beyond a period of forty-eight hours; that the exemption be cut from three times a year to twice a year; that a traveller be required to produce receipts showing that he has paid for the goods he is bringing back. Finally, I suggest that the exemption should be limited to purchases incidental to the trip, a provision which, I believe, appears in the United States tariff.

May I further suggest that the exemption be reduced from $100 to $35 or $50. It is so hard for us to remember that we have a population only one-twelfth that of the United States and to remember that most of our people are settled only 100 or 200 miles away from the border, which is not the case with the people of the United States. I do not think it is reasonable for us to expect to have everything the people in the United States can have, and to do everything that they can do. I suggest that if their exemption is to be $100 ours would be more than ample if it stood at $35 or $50.

I have this further suggestion in regard to the budget: I would ask that the minister reconsider the terms of the exemption from sales tax in connection with crushed stone or crushed gravel. At the present time the exemption reads as follows:

> Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county or township roads.

That leaves out cities and municipalities.

Mr. DUNNING: Will my hon. friend permit me to state that cities and municipalities are already exempted with respect to crushed stone, etcetera, which they use themselves? This is an additional exemption.

Mr. GREEN: Take the city of Vancouver; perhaps they purchase some of their crushed gravel and crushed stone, but I believe that in most cases they have the work done by contract. If they are going to have work done by a contractor they must pay that sales tax, and I do not see why there should not be an exemption for cities and municipalities. After all, in my province of British Columbia there exist no county organizations and no township organizations, which means that the exemption will apply only to provincial roads, whereas a great deal of the province is under municipal government; I suggest that in all fairness the municipalities and the cities

should get the benefit of the exemption. When the history of the last five years comes to be written it will be found that the municipal governments have borne more than their share of the burdens; they are bearing more than their share at the present time, and I do not think it is fair that they should be discriminated against in this way.

Mr. DUNNING: Of course they are not, in fact.

Mr. GREEN: Now I have a word of praise for the minister. I am pleased to see that he is trying to do away with uncertainty in mining taxation. The same principle of doing away with the uncertainty of government interference could well be applied to other industries of Canada, such as the farm implement industry, but as I do not represent an agricultural constituency I have nothing more to say as to that. However, as far as mining is concerned, no one can question that that industry has played a cheering part in the dark days through which this nation has just passed. The prospector, the miner, the engineer, the promoter, the financier, and all others engaged in mining have done much to raise the morale and the spirit of the Canadian people. I think we should accord them our admiration and our praise, and anything within reason that will assist them should meet with our approval. The industry has been greatly aided by aviation. Many of these mines would never have been developed but for aviation, and I suggest to the government that the time has now come when Canada should adopt a bold and aggressive air policy.

Let me tell the house in a few words the present position of civil aviation in Canada. I intend to treat the question in a non-partisan spirit; it is a new problem and one which, in my opinion, should be dealt with in a non-partisan way. I wish that it were possible to discuss more of our difficulties in that way; we would get much further ahead.

First of all, let me give the house the bright side of this picture; that is, flying in northern Canada. I think it may fairly be said that flying has made possible Canada's great strides in gold mining and has advanced by decades the development of the northern section of our country. This is well set out in an article by Mr. J. A. Wilson, our own controller of civil aviation, to be found in the February issue of the Engineering Journal, from which I quote the following extract found at page 68:

> The surveyor, geologist, and prospector were not slow to follow the example of the forester and use aircraft as a better means of transportation and observation throughout the unsettled areas of Canada.
>
> The result of this policy has been that to-day there exist generally throughout northern Canada efficient commercial air services which have been self-sustaining, have required no subsidy, and which give access to the remotest districts of the country. More has been learned of northern Canada during the past ten years than in the preceding three hundred. The forester, surveyor, geologist, prospector, mining engineer; the clergy, the doctors, the nurses, the police; in fact, all whose activities lie in northern Canada find their task greatly lightened, their range of action multiplied many times and their efficiency increased by the use of aircraft. Journeys which a few years ago meant weeks or months, and sometimes even years of toil and hardship, are now performed in ease and comfort in a few hours. The expansion of Canada's mining industry has greatly helped to tide Canada over the dark days of the depression and this development has been immensely assisted and hastened by aviation. Many of our most promising new mining fields owe their discovery and their opportunity of present development entirely to aircraft.

The figures of passengers, freight and mail carried by air in Canada during the last few years show the remarkable progress which has been made. I give the approximate figures: Passengers carried in 1933, 85,000; 1934, 105,000; 1935, 177,000—practically all in northern Canada. Freight carried, 1933, 4,205,000 pounds; 1934, 14,440,000 pounds; 1935, 26,439,000 pounds. It has almost doubled in the last year. Mail carried, 1933, 539,000 pounds; 1934, 625,000 pounds; 1935, 1,126,000 pounds.

Details of the air mail carried are given on page 2146 of Hansard. The Postmaster General (Mr. Elliott, Middlesex) said, as reported on page 2140, that this mail was carried actually at a profit to the post office. All this development has been brought about by private enterprise, without subsidy of any kind from the government other than payment for mail, which, as I have remarked, was carried at a profit to the post office. In addition to opening up northern Canada, civil aviation has been the means of training airmen who are without superior anywhere in the world. For instance, we have Hollick-Kenyon and Lymburner, two famous Canadian airmen whose exploits have not been properly recognized by this nation, two airmen who have done wonderful things in the last few months in the antarctic. These men were trained through flying in northern Canada. I suggest that this is sound national development for Canada. Our future is in the north. I believe that our destiny is to become a great northern nation, not a vest pocket edition of the United States of America.

I turn from the more pleasant side of the picture to aviation in the more thickly settled parts of Canada. What do we find? Quite a lot of flying has been done on fishery patrol on the coast of British Columbia. There are five mail routes, and five only, in the settled part of Canada, each one, with the exception of the route from Moncton to Charlottetown, being from Canada to the United States in order to get the mail down to the trans-American airways. These five routes are to the south from Montreal, Winnipeg, Vancouver, and Victoria, and the one from Moncton to Charlottetown. So far as the trans-Canada airway is concerned, I understand it is hoped to complete the airway from Winnipeg to Vancouver in the summer of 1937.

Mr. MACKENZIE (Vancouver): During the year 1936.

Mr. GREEN: So much the better. And from Winnipeg to Halifax in 1938—

Mr. MACKENZIE (Vancouver): That is correct.

Mr. GREEN: —with feeders to the principal cities off the main route. When that is done we shall have an air mail service across Canada by which letters will go from Montreal to Vancouver in from eighteen to twenty hours, whereas it now takes four days, and from Montreal to Halifax in five more hours. Apparently this development has been brought about in this way: Municipalities along the main air route have constructed what are known as airports; these are the main ports of call. The government has adopted the policy of supplying all the aids to air navigation. If I am wrong in any of these statements the Minister of National Defence (Mr. Mackenzie) will correct me. I understand that these aids consist of intermediate aerodromes located every thirty miles or so, many of which are still to be constructed; airway lighting, comprising beacons; meteorological services; and radio services, consisting of radio beam stations; and in addition general research work by the technical departments of the government, leaving flying to private companies. In other words the government does not intend to carry on any of the actual flying.

Let us just realize what that means. Private companies will have to carry on this flying. They will have to acquire planes and train personnel for night flying, which is not carried on in Canada at the present time. They will have to train them also for very fast flying; I understand that the mail planes will have to fly about fifty miles an hour faster than our Canadian planes fly at present. All this means that the company or companies concerned must know well in advance the definite plans of the government, because it will take some time to prepare to give the service.

Then I come to the position of aviation in Canada in relation to world aviation. All other nations have far more extensive air services. Canada is the only nation not subsidizing civil aviation extensively. For example, in Great Britain the Imperial Airways is heavily subsidized by the British government, and as a result that government is able to say that certain mileage must be flown and certain routes must be kept open. The trans-Canada airway is one of the few important air routes in the world that have not yet been opened up. The only other two are the transatlantic and transpacific routes, and the former is to be completed shortly. I understand that test flights for the transatlantic air route will be made during this summer. The route over Canada is the shortest air route between Great Britain and the orient being three thousand miles shorter than the shortest route possible over United States territory. Let me repeat that: the air route from Great Britain to the orient over Canada is three thousand miles shorter than over United States territory. Yet here we are in the middle of the empire, the leading dominion, and we like to think, and I believe, the most progressive dominion, almost in the position of preventing the completion of an empire wide air service.

There is the picture, Mr. Speaker. I urge the government to adopt a bold air policy at once. Let them announce their plans; let them rush the trans-Canada airway to completion; let them establish a trans-Canada air mail service, and do everything possible to aid aviation. I am convinced that it is a workable policy, and that it would be comparatively inexpensive. The hon. member for Gloucester (Mr. Veniot), who was formerly Postmaster General of Canada, dealing with the air mail service, said, as reported at page 2141 of Hansard, that he thought it could now be operated at a profit. In any case the cost of establishing this air service would be very, very small. The government have a great majority and there is no reason why they could not go ahead with a progressive scheme such as this. Incidentally I believe that if they did so they would have the support of the official opposition.

Such a course—the initiation and development of an active air policy—appeals to me particularly for two reasons. In the first place I am sure it will help to draw the provinces together. Coming from British Columbia I

am always worried about the provinces of Canada drifting apart, and I am sure hon. members from the maritimes have felt the same way. Any policy within reason that will help draw the provinces together will have my support. I think at all times we in this national parliament should do everything possible to bring the provinces of our nation closer together. After all, during the depression the provinces have been hard hit and there have been many rumblings, many questions asked as to whether or not confederation was worth while. I think we must remember that it is our duty here in parliament to do everything possible to hold the provinces together.

I am also interested because I do not think anything will do more to strengthen the morale and raise the spirit of our people than to make Canada a leader in aviation. After all, the morale and spirit of our people are worth a great deal, far more, I think, than many realize. Look at our background in aviation. In the war we had a far higher percentage of pilots in the air force than any other part of the empire. We had outstanding leaders in the air during the war, men such as Colonel Bishop, Colonel Barker, Colonel Collishaw and Major Don MacLaren, the last two from my own province of British Columbia. Men like these were known all over the empire as famous war aces, and there were dozens of other famous Canadian airmen. That is the background of Canada in aviation, and we also have the deeds that have been done by our fliers in the north. There is no reason why we should not go ahead and lead the world in aviation. We have a people of courage and initiative, and I suggest that this Canadian parliament should give the people of this nation bold and aggressive leadership on this question.

Mr. E. J. POOLE (Red Deer): Mr. Speaker, as seconder of the amendment to the amendment, it gives me a great deal of pleasure to say a few words in connection with the budget on this occasion. First of all I want to thank the hon. member for Huron-Perth (Mr. Golding) for the kind remarks that he made the other day concerning this little group, when he appealed to the Liberal party at least to listen to those representing a new line of thought, or at least a line of thought foreign to this house. I thank the hon. member for his kind consideration, but we in this corner have noticed the lack of interest shown in anything coming from Alberta. It is unfortunate that such should be the case, in days such as these when we are faced with new conditions. I do not believe that any government in any country of the world to-day can afford to sit down and simply try to uphold the old status quo. We must be always on the look-out for new ideas to alleviate the distress that is with us.

I have read the budget; I have followed the debate keenly, but I have not noticed anything startling in what has been proposed. We in this corner have been patient, thinking that as time went on some new policy would be outlined, some hope would be given the Canadian people, but in everything that has been suggested the cause of all our economic ills has been left untouched. The minister made quite a lengthy address on May 1, which I enjoyed as I believe every member of the house did. In the first part of that address the minister spoke of trade, and he made some startling statements. He said—and I believe this has been the opinion of the Liberal party—that our hope for internal prosperity lies in the expansion of our external trade. There has been also an old theory carried on through the years, inherited from mediaeval days, that the way to measure internal prosperity is by your favourable trade balance. Yet the surprising thing is that when we look into our Canada Year Book we find that in 1932, which was recognized as the depth of the depression, we had a favourable balance of trade. Of course it may be said in answer that the volume of trade was less. That is true. But again the minister said that these conditions prevail because of the policy of economic nationalism in every nation of the world, and that we have no control over the policy of other nations. With that I agree. But those conditions are not being faced by the government, because if they recognized that nothing can be done externally to improve the lot of the Canadian people they would see that their attention must be focussed on internal problems.

An hon. member on the other side some days ago told us that the machine was not displacing labour; that the machine provided more work. How that statement can be accepted by anyone is surprising in view of the fact that we have a million Canadians unemployed. We find that in 1919 the leader of the Liberal party, Sir Wilfrid Laurier, recognized this fact more than do the government to-day. In his last address on January 14, 1919, he drew attention to the changed industrial conditions, and spoke of the necessity of cooperation between capital and labour and of the displacement of men from industry. But the Liberal party that promised so much to the people has not recognized this in 1936. There is, however, one thing that we can agree on—I suppose we have to be thankful for small mercies—and that is the reduction of the debt burden

through conversion and refunding. The only criticism we have to offer on that is that it is not broad enough, does not take in enough territory. I have been interested in observing the inconsistencies of government members. We may not be able to get our views over in this house, but at least we have an opportunity to listen to other hon. members, and we take advantage of it. I notice that in the policy laid down by the government so far as the unemployment problem is concerned the Minister of Labour (Mr. Rogers) provides for subsidies to industry. Then I turn to a statement by the Minister of Finance in his budget address, in which he tells us that if we speed up industry the inevitable result will be overproduction and breaking the market. I wonder whether the Minister of Labour and the Minister of Finance (Mr. Dunning) should not get together on this question and really decide upon the policy, because the inconsistency is glaring.

Referring to the criticism levelled by the hon. member for Huron North (Mr. Deachman) at us this afternoon in which he spoke of social credit theories, and I believe was endeavouring to prove us inconsistent, I know my leader would like to defend himself on this and I suppose the opportunity will present itself some day. The hon. member referred to the inconsistency of our leader when he spoke of protection or subsidies to the sugar beet industry. I would point out that the conditions prevailing in that industry are different from the conditions which prevail in many industries in this country. It is a matter of national protection to subsidize an industry that produces a consumable necessity which we must have during a time of war. I believe that was the whole purpose in advocating that. If war were to break out in Europe we would be dependent upon importations of sugar, although we can manufacture it here, because we cannot compete with sugar producers from outside.

I quote again the article that was read in the house by my leader some days ago, because the hon. member for Huron North has got a little mixed up. He told us that production in the United States was $60,000,000,000 and that the total amount of purchasing power was only $45,000,000,000, and he wanted to know where the difference went. Part goes back into savings, as this article describes, but part of it, the difference between $50,000,000,000 and $60,000,000,000, was never in existence. That is one thing which this group have endeavoured time and time again to make clear, that under the present system you cannot place in the hands of the people through the medium of wages, salaries and dividends sufficient purchasing power to purchase the total price values. Then, he says, these people suggest paying a dividend even in prosperous times, and he wanted to know what we would do when the depression came. I wonder what my hon. friend means by depression. A depression infers that we are short of something, but surely there is not a member of this house who would suggest that we are short of goods. They were never so plentiful, and if we were short of goods surely we have available productive power in Canada to produce more. There is no depression to-day. There is poverty, however, and nothing suggested in this budget will alleviate that condition. Tariffs might help some, but the minister says that we have no control over economic nationalism; that we cannot compel the nations to accept those things which they do not desire. If we could have brought prosperity to Canada by removing the barriers of economic nationalism, surely that could have been accomplished at one of those numerous international conferences which have taken place during the last five years.

When you take the tariff out of the Liberal platform you have nothing left; it is the peg upon which they hang their whole policy. When that falls, Liberalism falls. They must recognize that the purpose of an economic system is first and foremost to increase the standard of living for the citizens, not of China, but of Canada, and the only purpose of an export market is to exchange our products which we do not need at home, because we have such abundance of them, for those which are not common to the production of this country. In this year 1936 we are starting along exactly the same lines that have been followed down through the years, raising the same old ghosts. We have an unemployment problem. This is what Mr. R. J. Scrutton said in Prosperity, April, 1935, quoting the same article which was criticized this afternoon. This, I think, puts the situation plainly:

> It is useless trying to find work for the unemployed until the present financial system has been changed. Productive work merely increases the glut of goods and adds to our problems. Non-productive work such as road making will certainly provide wages, but those wages must be taken by taxation from those engaged on productive work. This is a method of sharing out the nation's poverty; and in no way shares out the machine made abundance.

And that is all that we have accomplished in this budget. What do you do when you borrow $75,000,000? You place a chattel mortgage on the future of the country; that is all you do. You do not solve the problem. We have spent $600,000,000 in the last five years and the problem is just as great as it ever was, plus this fact, that while our trade has increased unemployment remains the same. That is important in view of the statements which have been made in the house to the effect that machinery is not displacing man power. When you displace men you displace wages, and we claim that the wage system has broken down; it will no longer distribute goods. It was all right in the days when we had markets on which to throw our surplus production or could invest money in other nations for capital expansion. But those days are gone. The Minister of Finance told us that we have no control over the policy of economic nationalism which has been adopted by other countries. I agree. That being true, are we going to solve the problem or restore prosperity by indulging in a public works program? When you tax you deflate; when you tax you reduce the standard of living of the people. What happened in the United States two or three years ago? They poured out money. What followed? A man getting $15 or $20 a week found that his money would not buy as much as it did before. Prices began to increase when new money was poured in. I want to continue quoting from this article because it is valuable. It is something well worth putting on Hansard; if many members will not listen to the social credit party in the house they may in spare moments look at Hansard:

> There is only one way out of the difficulty. If we intend to keep the machines then we must devise a method of giving people the wages of the machines which do their work. Incomes must be based on wealth produced and not on human labour performed. In order to do this our financial system must be based on the capacity of a nation to produce goods and services instead of a gold or sterling standard which bears no relation to our real wealth. Then, if we produce goods priced at $10,000 we can create and provide the people with $10,000 to spend. The balance sheets of all industrial and business concerns, containing a special item giving average profit on turnover, would provide the government with the necessary information. By this means the total prices of consumable goods produced during the preceding six months would be made available, together with the total purchasing power issued in the form of wages, salaries, and industrial dividends. The total of prices would be found to be far higher than available purchasing power and would provide a figure representing the goods unsold and now glutting our markets. (According to the National Bureau of Economic Research, American industry paid out $45,548,000,000 in the form of wages, salaries, dividends, bonuses, pensions, compensation, etc. The value of consumable goods produced for the same year was $60,366,000,000. When savings and investments were deducted from these incomes only forty billion was available as purchasing power to buy goods valued at sixty billion.) We propose that these surplus goods form the basis of new money which shall be created by the government and issued free to the people so that the goods shall be bought. At present only production is financed. This takes place when the banks create and lend money to industry.

Under social credit the government would finance consumption by the method outlined. It would not borrow money but would follow the practice of the banks, creating money on the basis of something which is already in existence and which, I may add, is a sounder money system than the one under which we live to-day. The only basis for many of the bank creations is hot air. I think it is becoming evident throughout the world to-day that the system under which we live has served its purpose. Capitalism was adapted to general expansion, and while that expansion was possible capitalism could provide men with a livelihood through the agency of wages. But when you arrive at the point where you can no longer export goods, then the system is ready for the scrap-heap. Unfortunately we have inherited many conceptions that are not true. We have led men to believe that the only purpose of an economic system is to provide work. Hon. members will persistently tell us that we shall get out of the mess which we are in to-day. Surely that is absurd when you look at the increasing national debt—and it is bound to increase. In the budget debate some criticism has been levelled at the late administration because of an increase of a billion dollars during their regime. Surely that is not the fault of the late government; if it is, then the Liberal party might well be accused of the same thing, because the national debt of Canada has always increased. It increased from 1921 to 1936, not merely from 1930 to 1936, and the time is coming not only nationally but in every municipality when fixed charges will constitute the largest item. The amount available for what I consider uncontrollable expenditures, that is for public services, for relief, for indigent people, for the incapacitated, for pensions and so on, is becoming less, while the ability of governments to tax will diminish as time goes on, because the debt structure is top heavy.

The hon. member for Huron North this afternoon told us that we have our cultural

heritage. Maybe the hon. member has, but there are thousands who have not yet had it. I have in mind the ex-service men of Canada, the unemployed of this dominion. I wonder whether they have got their cultural inheritance. I do not think so; I do not think they have been considered very well. I recognize, of course, that as fixed charges increase the ability to give them any kind of inheritance which would be beneficial to them will decrease. On the other hand, I believe the only heritage the old line parties will ever leave to the dominion, if they do not change the monetary system, will be one of debt and mortgages. When we borrow $75,000,000, when we launch into public works schemes, for the purpose of giving bread and butter, we are looking for something to drop from the sky to help us out of the mess we are in so that we may remain politically secure, and twenty years hence it will be just another mortgage, another one of these fixed charges.

What I want the government to tell this group in this section of the house is this: In view of the fact that we have had a favourable balance of trade during the depression years, in other words, sold more than we purchased; in view of the fact that we have goods here, and in view of the fact that all the evidence which is required exists, showing that there is a downward trend in the standard of living and an increase in our national and all other debts, I wonder whether they could tell us, when they talk of putting men to work under the conditions that prevail, how they expect to do this and at the same time to reduce the national debt. There have been two Liberal members who have the idea, the hon. member for Rosthern (Mr. Tucker) and the hon. member for Vancouver-Burrard (Mr. McGeer). They are the monetary reformers. They know that the axis upon which this economic system turns is money. They know that the monopoly which controls it controls this government. It controls the ability of this government to collect taxes.

Mr. FINN: No.

Mr. POOLE: It does. I will go further if you wish, and prove it. During the deflationary period what does a bank do? It takes that which is just as necessary as the blood to the body; it takes purchasing power by restricting loans to industry, and by calling in loans already out, driving prices down and reducing property values. That is why the western farmer is in the mess he is in to-day. During the inflationary period what does a bank do? It gives to production something. It gives to agriculture financial credit based upon something. What? Something that belonged to the depositors? That is nonsense. It was something that belonged to the agricultural industry. The banker may give it with pen and ink, basing it upon the ability of the farmer to produce, the land and the machinery of production he has, and the desire on the part of people associated with him for the goods of production.

Mr. FINN: May I ask the hon. gentleman a question?

Mr. POOLE: Quite welcome.

Mr. FINN: Does the government of Canada or does this parliament of Canada, of which my hon. friend is a member, control or undertake to control the loans made by the banks to individuals or to corporations?

Mr. POOLE: No, it does not.

Mr. FINN: Then why is the government to blame for this present condition?

Mr. POOLE: My hon. friend has just mentioned the point I have been trying so hard to get over.

Mr. FINN: I am glad I helped the hon. member.

Mr. POOLE: The government does not control these things, and the very fact that the government does not control them places the banks in a position where they control the government because as the banks deflate they take from the people the means to pay taxes, do they not?

Mr. FINN: Absolutely no.

Mr. POOLE: They take from the government the power to extract taxation. You cannot get away from it. Then what do the government proceed to do? To borrow, increasing national, provincial and municipal debt. Then what do the government do? They suggest a public works program to cure all these ills, and they hope we may be able to expand our volume of trade and sell some wheat to the Chinese.

Mr. FINN: That is not fair.

Mr. POOLE: I quite agree with my friend that it is not fair, for I believe that we should feed our people at home first.

Mr. FINN: I meant the hon. member's statement.

Mr. POOLE: We should realize that the duty of this government is not so much to balance the budget, not so much to find work because work is not an end in itself. I repeat this because to me it is very im-

portant; it is one of these ideas we have inherited, and you will hear it expressed ten times a day. You meet a man who is hard up on the street and he wants a hand-out. The first thing he says is, "I wish I had a job." It is not a job he wants, it is what a job in the old days got for him. It is goods and services he wants. That is what the people want. We have these things now in abundance. What are you going to do? Do you suggest pouring more money into production, to glut the markets with more goods? Or do you propose to monetize the goods already in existence? If you would do that, then immediately the unemployment problem is solved because industry moves when the people have effective demand, purchasing power. But when you take that effective demand, purchasing power, from the people the industrial machine slows down, and no matter how large a volume of goods you have piled up they are not available to the people because they have not effective demand. I am speaking now, of course, of money, and this is true not only of this but of every country.

There is another angle which is very interesting if it is pursued. If you are looking for markets, there is one thing that will stimulate international trade. That is when you go to the markets of the world and bargain better, when you go and say, "I am not going to sell my wheat. It is my national purchasing power. I have come to buy." What would happen if you did that to-day and if you could ship out everything you had? You would have to say to these people, "We cannot buy your goods. We cannot take your imports into our country because our people have not the purchasing power to buy them."

I hope, Mr. Speaker, that some day in this Canadian parliament we shall have an opportunity to present the views of social credit.

Mr. DUNNING: Why not now?

Mr. POOLE: I should not like to attempt it in forty minutes. The Liberal party does not express its policy in two hours and fifty minutes. We are not afraid of any criticism that may be levelled against social credit. We are not afraid even when members leave the house. We challenge the government to solve the problem without monetary reform. We know they cannot do it. Even if you control fifty-one per cent of the capital stock of the Bank of Canada, that is not monetary reform, any more than it was monetary reform that we had in this country between 1930 and 1935 when we changed the size of the dollar bill but got no more of them. The kind of monetary reform we want is a change in policy. I do not care who owns the bank, I am not interested in who owns the bank or the factory. I want the producers to get a fair price for what they produce, and that can be done by placing effective demand, purchasing power, in the hands of the people. I am interested in the policy of the bank in seeing that it distributes sufficient purchasing power, wages, salaries, dividends, which will go from the bank into production and in addition, that the government place in the hands of the people a national dividend, and there is no member who will say that the people are not entitled to it. In this scientific age the machine has displaced man. What are you going to do? Throw him on the scrap-heap? Put him on relief for the rest of his life and jeopardize our whole national future? No, sir, not if we are here administering in the interest of Canada to-morrow as well as to-day. We will do something different from that. We will have the courage to remove from our economic life these bankers, this monopoly, and we will change the policy and make it conducive to a higher standard of living. That is the job which this government has to do, that, and nothing else. The first job it should have done before bringing down a budget and before doing anything else was to provide itself with the means to do these things. Then, I say, your unemployment problem is solved, because the moment you place purchasing power in the hands of the people goods will move, industry will revive and there will be a demand for labour. Until that time comes we shall never have prosperity.

In conclusion I should like to say a few words about the budget itself—

Mr. FINN: May I ask the hon. member a question?

Mr. POOLE: I am only too willing to answer.

Mr. FINN: Do you believe in confiscation?

Mr. POOLE: No; I am very much opposed to it, even the banks confiscating.

Mr. FINN: Then I should like to ask this question: Under the policy of the present government in Alberta, namely that of giving $25 to every woman and man, according to population, how much money would be required?

Mr. POOLE: I believe it is around $10,000,000.

Mr. FINN: That is pretty good.

An hon. MEMBER: A month or a year?

Mr. POOLE: A month, for the year. Hon. members opposite concentrate their attention

upon money, but we claim that we have $10,000,000 worth of goods which are not moving; that is the important point. Have we those goods in Canada? If we have not why have we unemployed? That is the question which hon. gentlemen opposite cannot answer.

An hon. MEMBER: Explain it.

Mr. POOLE: I would not try to explain it in five or six minutes. If an opportunity is given, this group will explain it; I promise you that.

Mr. FINN: You said "group"?

Mr. POOLE: Yes, this group, here, will explain it. Any time a full dress debate on the question is desired, we are ready to go to the mat, any one of us.

In conclusion, I wish to say that I always thought the difference between the two old parties was the height of the tariff wall, but I find on this occasion that the difference is $62,000,000, namely, the difference between the budgets of this year and last year. That, however, is not the interesting point. We find that last year the Conservative party then in power was more Liberal than the Liberal party in power to-day, and we find that the Liberal party has gone Conservative. I wish to say again that there has been some criticism about blank cheque legislation; I am in favour of the blank cheque, because, after all, whether we like it or not, I have a little different slant on it from some people. The fact is that an emergency did exist, and exists to-day; it has not diminished. The provision was made with the knowledge that the condition was critical and that to-morrow or a month hence there might be more unemployed. Provision was made for them. Whether we agree with the amount that was given is not the important question; we must remember that provision was made. That is the point. This government does not say that. They make appropriations and live within them. They restrict their own activities and restrict their opportunity to do anything for the people of Canada. Therefore I am in favour of the blank cheque, because I believe the most uncontrollable expenditures are those which have to do with human welfare. If any persons are going to go short, then those people who can afford to lose ought to be the ones. The first consideration should be the poorest people, namely the unemployed, the ex-service men, the incapacitated, and the old. When they are served it is time to talk about fixed charges for bankers and on bonds. The people I have mentioned are a sacred obligation.

The budget debate has almost reached a conclusion, but many other things could be said. Now we are waiting with a great deal of interest. The people of Canada are watching intently for your financial policy, and if you do not come through, then they will displace you for exactly the same reason that they displaced the last government.

Mr. FINN: Who will come in?

Mr. POOLE: And while we are on that question may I say there has been plenty of ego expressed by the Liberal party.

Mr. FINN: I do not believe in it.

Mr. POOLE: The first day I was in the chamber the leader of the government speaking to the leader of the opposition said, "The people have turned you down, and shown you where you get off at." He forgets that they turned him out in 1930. In a few more years, probably less than four, the Liberal government will go.

Mr. FINN: And they will come in again.

Mr. POOLE: It is not parties that are defeated. Governments are turned out when the people realize that the principles propounded are not sound and that the effect is poverty. I say to-day that the Liberal party will suffer a worse defeat than did the Conservative party.

Mr. FINN: Is that a prophecy?

Mr. POOLE: The Liberal party have been saying all along, "We have licked you; the people have rejected you." I want the Liberal party to remember that there is only one province in Canada, namely in Alberta, where there were social credit candidates to vote for, and what was the result?

Mr. FINN: That will be the last time.

Mr. POOLE: No.

An hon. MEMBER: What happened in Saskatchewan?

Mr. POOLE: We elected two, and campaigned for only three weeks. You have been campaigning since confederation, and what did you do? You see, Mr. Speaker, it is not only the age of the party that counts; that does not matter. When Liberalism becomes reactionary, then of course the rank and file will desert you, because in the final analysis the people of Canada are looking for security. If you cannot give it and they see the physical means of getting it, namely courageous legislation, they will move you out.

I am hoping as time goes on that the hon. member for Vancouver-Burrard (Mr. McGeer), and the hon. member for Rosthern (Mr. Tucker) can convert some Liberals to thinking along monetary lines.

Mr. FINN: Is that so?

Mr. POOLE: Do not be afraid of the banker. When he comes to dictate to you, for the first time you should tell him that you are the government. If the people require money or means to move goods and to increase prosperity, see that you provide the scientific machinery to provide it, and remove any obstacles which may be in your way.

Mr. W. K. ESLING (Kootenay West): Mr. Speaker, I am sure the Minister of Finance (Mr. Dunning) must feel gratified at the generous commendation he has received for his splendid presentation of the budget, and his perfect diction. Naturally the public will feel the effect of the eight per cent sales tax. They will hold the government responsible, and it will reply, "Well, it is as a result of having returned us with such a huge majority."

Naturally the Minister of Finance would like to withstand the numerous demands from his following, but it would be impossible for him to do so. While hon. members might like to be modest, their constituents will want this, that and the other thing, and the demands would be almost too insistent for the minister to refuse. I know he feels sorry for himself in having to sit through this long discussion, but that is one of the penalties he must pay for the honour and privilege of presenting a national budget.

I will not attempt to enter into this discussion beyond referring to one phase of the country's condition, that of unemployment. In that connection, will the government not consider some means of enlarging the present housing act, for the reason that there is no avenue of endeavour which goes so far, in its various ways of relieving unemployment, as that of construction? The housing act as it stands is confined to the construction of new homes. It was thought, perhaps, that it would contribute largely towards the building of the many homes which are required throughout the country. But the conditions which surround the arrangement with the government are such that the act is absolutely useless outside the large cities. Some twenty-two companies have entered into the agreement with the government, but, if we take the whole province of British Columbia aside from the cities of Vancouver and Victoria, absolutely no loans are being made towards the construction of homes. Not even in Vancouver itself is there a loan company, an insurance company, or a trust company which will enter into this arrangement with the government to lend sixty per cent for the construction of homes. In the interior, where we are very fortunate in having an industry which makes homes necessary, there is not a single company from Vancouver to the Alberta border which will lend a dollar in furtherance of this arrangement with the government for housing construction. My suggestion is that the government might see their way clear to go at this matter on a larger scale, in co-operation with the municipalities. When I say, "in cooperation with the municipalities," I mean four or five municipalities with five thousand to ten thousand population; let them form one cooperative concern in order to reduce the administration costs. If the government would realize how small the present housing act is in comparison with some other activities it would not hesitate to go a little further into the matter.

In our own little city of Trail, with a population of ten thousand people, we have an industry which has actually loaned to its employees one-tenth of all the money that the government of Canada intends to advance to the people of the whole dominion. The Consolidated Mining and Smelting Company has lent approximately one million dollars to its employees, and constructed and repaired for them more than one thousand houses. It charges only five per cent, and makes things so easy that an employee, if he has a permanent position, can build for himself not only a house within the municipality but a summer home up the lake. Then take the city of Nelson. Nelson has about eight thousand people, who have sufficient confidence in its stability and its future to spend during the last six months $250,000 on a civic centre, one of the finest evidences of municipal enterprise, for a city of its size, that can be found in the dominion. So I ask the government if it will not consider some way of acting jointly with the municipalities. I do not expect the government to lend a municipality of five thousand people a lot of money, because it incurs the expense of supervision; that is the reason these loan and trust and insurance companies will not give assistance in these small centres; it is not because they lack confidence in them, but because the cost of administration, supervision of construction, preparation of plans, and so on, is greater than the interest return of five per cent will warrant.

During the discussion which has occupied this house for so long, references have been made to the part that industry might play in relieving present conditions, conditions which have continued for five long years. Although some improvement has taken place, the government has to look forward to the coming five years, and while there is strong hope, yet there is absolutely no certainty of any

brighter future. We have to care for, not only the number of unemployed resulting from this depression, but the problem presented by the young men and young women who are reaching that age where they expect to enter the fields of labour. I took the trouble to call up the bureau of statistics, and I find that in the past five years the young people who have reached that age when they become a factor in the field of labour number 300,000. I mention that to show the government that even though conditions should continue as they are—and they are even now none too good—in another five years there will be 300,000 more looking for employment, and certainly that situation must be provided for in some practical way other than that of public relief.

If there is one proposal which, in my opinion, would benefit our young people and future generations of Canadians, it is a plan whereby young men will have an opportunity to learn a trade. It is all very well for them to take up various courses of study and to extend their education, but there is nothing in the life of a young man or any man that fits him more effectively to meet the contingencies of the times than the advantage of a trade, a basis for his living. Fifty years ago it was the habit of parents to say, as soon as their son was old enough: What trade shall the boy learn? And if there was one benefit above another in putting a boy to a trade, and making provision for his future, it was the element of compulsion in the arrangement as between the boy and his employer. I happen to be one of those fortunates who as a boy was bound out to a master, as it was termed in those days, for bed and board. I was bound to a printer. While I did not like it very much, and might have preferred to be a lawyer or a doctor, I became a printer, and I am very thankful for it, thankful because I was compelled to stay with it, and so laid a foundation for the future. If this government could go so far in welfare work as to provide means for the young men of this country to face the future with some degree of certainty, it could not engage in a much better work.

Here again I want to take the house back to my own city of Trail, because I like to show the people of this dominion that in an industrial way Trail sets an example not only to the government but to all phases of industry in Canada. In that city we have an industry which employs five thousand men, and not another industry in this dominion has the same keen sense of the human relationship between employer and employee that exists there. They recognize the great benefits which result from giving the boys a start by way of a trade. The sons of employees are taken into that plant. They may go into the carpenter shop, the paint shop, the foundry, the electrical department, the pattern making shop or any other branch of the works. There they are put to work on the basis of twenty-five per cent of a journeyman's wage, and every six months they are advanced until they receive the full wage of a master artisan. Then, if the department for which they have fitted themselves is not ready to receive them, they are simply sent to what we call the clearing house, the labour gang, where they work until there is an opening in their particular department, where they are given preference.

I should like to go a little further in emphasizing the part that industry might play in this period of depression. Recently it was my privilege to have a conversation with perhaps the foremost construction engineer and the foremost mining man on this continent. In their general conversation they referred to the fact that Doctor S. G. Blaylock, vice-president and general manager of the Consolidated Mining and Smelting Company, had gone further and accomplished a greater work than perhaps any other man on this North American continent. That work was purely and simply the creation of a cooperative spirit among the five thousand employees who carry on the work of the largest metallurgical plant, not only in the Dominion of Canada but in the world. Doctor Blaylock was so far-sighted as to realize that the time had come when there must be a uniform interest as between the employer and the employee. He wanted the employees to understand the ideas of the management, and they formed a cooperative so that the management might get the benefit of the ideas of the men, and to show hon. members that this is a plant which might well be copied by other plants in the matter of industrial relations, may I say this: Do you know that the Trail smelter, this huge metallurgical plant, paid 4½ per cent of the total freight revenue of the Canadian Pacific Railway in 1935? Do you know that it paid 1·9 per cent of the total freight revenue of both Canadian railways during that same year? So it will be seen that this is something of an institution.

There is one point I want to stress, because it applies not only to mining institutions but to all industrial plants in this country. If they could create a relationship under which the employee would feel not that he was only getting so much per hour but that he had an interest in the work, this would be a great step forward. This is only an indication of what must come in Canada if we are to

provide jobs for all who need them, not only now but during the next five or ten years. The one solution is the system now in operation at that plant; I refer to the five day week. That must come or work cannot be supplied for those who need it. The men there realized that fact. They had every opportunity in the world to maintain a full six day week, but rather than see some members of the community go without jobs they were quite willing to carry on with a five day week. What did they do when the depression began? The management called the men together; they picked out the married men and put them on three-quarter time and put the single men on half time. Then, as things picked up, they brought the single men up to three-quarter time, and finally the men were called again. The management said, "You boys can take your choice. Do you want to go back on six days a week and thus deprive some people of jobs, or would you care to carry on the five day week"? Unanimously the men chose the five day week. As a result they now have time for relaxation. If they are shift men they work fifteen days and lay off five days, while ordinary day labourers work five days a week. Seventy-five per cent of the men own their own homes, and when they have their five days off they fix up their gardens, mend their fences and generally improve their homes.

This whole plant is run on a cooperative basis. There are perhaps fifteen or twenty departments, and the men in those departments never air their grievances to anyone but their own delegates. Each department elects two delegates, who meet with the management—partly on the company's time—twice a month. Any man with a grievance as to working conditions, wages, safety or anything else takes that grievance not to the management but to his own representative. The delegates from the various departments discuss the grievance; if it is well founded it is remedied and if it is not it is simply sent back. I should like to point out some of the benefits which have resulted from that spirit of cooperation which pervades that plant. In the first place every man enjoys free insurance in the amount of $1,500. If he chooses to add to that it is at his own expense, but the $1,500 of insurance is provided at the expense of the company.

At the company's expense likewise a pension is provided for all old employees, a minimum of $240 a year, but determined on the basis of the earnings for the previous ten years. Then they have a benevolent association which includes practically one hundred per cent of the employees. The members pay $1 per month and they receive benefits in case of illness or accident at the rate of $1.50 a day for periods up to six months. The hospitalization is unequalled anywhere in Canada. It is not a case of a lot of doctors saying: We are going to charge this or that, but the men fix the rates; the workmen's cooperative committee calls the doctors, twelve in number, in a clinic and makes their own arrangements for medical attention and hospitalization, not only for themselves but for every member of their families. They have the very best attention in the most modern hospital that could be constructed. There are also all sorts of athletic and social facilities.

What more does this company do? The company says to its employees, We are not paying you so much an hour or a day, but we want your cooperation, your confidence, your interest in your work; and the men give it, they feel it is an honour to be an employee of that company. When a man has been there three years he is given outright a share of stock in the company; that share to-day is quoted at about $250, but it does not make any difference if it were quoted at $500; he gets it without cost. They have this elaborate housing scheme, under which they have advanced almost a million dollars to the employees, repayable in monthly payments. When Christmas comes there is not another institution in Canada that treats its employees better. Hon. members will forgive me for elaborating upon this, but I feel proud of coming from a community in which there is such an industry maintaining such fine human relationships between employer and employee. They say to the employees: In the first place we are going to give you a basic wage. When I left there the basic wage happened to be about $3.35 a day. That basic wage is fixed by the company, but there is a general discussion with the committee and the basic wage is largely determined by the Government's cost of living yardstick. If the cost of living goes up the basic wage goes up; if the cost of living goes down the basic wage goes down. To that basic wage is added first a bonus for efficiency, which is interest in the company's welfare. It is also based upon the price of metals; when the price of metals goes up the bonus goes up, and when the price of metals goes below a certain line the bonus ceases. When I left, the bonus in addition to that basic wage of about $3.35, was ninety cents a day. That wage is for common labour. The men in different departments of course have different scales, but that is the basis for common labour.

Every employee feels an interest in the company's welfare. A man goes to his work

in the morning not with a feeling of insecurity, like many employees throughout the country in these days of depression, not knowing whether he is going to have his job or whether he will be told when he reaches the shop that they do not want him. Not so at Trail. There a man cannot be discharged on account of some feeling on the part of his boss, who may have a dislike or a grievance against him. No man can be fired offhand, unless it be for some offence that could not be countenanced by anyone. If, for instance, a man does not get along in the carpenter shop what does he do? He goes to the employment manager. The employment manager asks him: What department do you think you could get along better in? The man says: Perhaps I could get along in the paint shop. So he is given a transfer to the paint shop. He is there for six months and perhaps he does not get along in the paint shop. So he goes back to the employment office. The employment manager says: You have had one transfer, you may have another, but if you cannot get along in the third place it is all off. But that man feels a sense of security in his job that few others have.

When Christmas came along what did they do? Every married man in the plant who had been in their employ before January 1 of that year was given $25 cash, and single men $12.50 in cash. Men who had been employed only six months were given a smaller sum, but everyone received something; a single man who had been in their employ for even three weeks was given a couple of dollars or an order on any store in which he chose to spend it. And every man received a turkey.

I tell this in order to show the house and the industrialists of Canada that it is possible to create a spirit of human relationship in industry not merely hiring men at so much an hour or a day. That company does not want men who are just working for so much an hour; they want them to feel that they are carrying on their work day by day with an interest in the business.

Now I appeal to the graciousness and generosity of the Minister of Finance. I have said all the nice things I can possibly say to him and about him, so through the Minister of National Defence (Mr. Mackenzie) I want to call the attention of the Minister of Finance to the fact that we have an airport in the city of Trail, one which probably surpasses any airport between Regina and the coast, I mean any which has been built without any assistance or support from the government. We did our own work, cleared the field; we have a field now almost equal to that of the Salmo airport which the government constructed at a cost of $67,000. We would like the government to find means of assisting municipally owned airports in places where the municipalities do a little more than their share. To-day our landing field is about 400 feet wide and 2,000 feet long; we would like to widen it to 600 feet and make it 3,000 feet long, which would make it the same as the government airport at Salmo. We ask that assistance. But we do not ask it outright; we ask it only after we have put in a beacon light and boundary lights at our own expense, so that it will be perhaps the most modern airport between Winnipeg and the Pacific coast, because you can land there on the water as well as on the land.

I trust that some hon. members will find it possible during the summer vacation to visit this plant at Trail and inform themselves of the extent of the interest which this company shows in its employees. It leaves nothing undone for their comfort, welfare and social betterment. It has a memorial hall which provides every possible facility; there are few halls in Canada which surpass the accommodation and perfection of appointments of that hall. The company has financed an artificial ice rink. There is nothing for the welfare and interest of its employees to which the company does not contribute.

I simply wish to express the hope, in closing, that some of the industrialists of this Dominion will follow the example set by Doctor Blaylock, which as I have stated is generally considered to be one of the greatest industrial accomplishments on this North American continent. It is not as if it began only yesterday; for seventeen years it has been working perfectly, so much so that every man in the employ of that company feels that he is honoured by being on its pay-roll.

Mr. H. E. BRUNELLE (Champlain): Mr. Speaker, I have heard it said by many English speaking members of this house that the French language is musical, and in consequence of that very kind compliment, which I have taken seriously, I will, in the course of the few minutes which will follow, use that most harmonious language. I am sure this will be a relief to the patient Minister of Finance (Mr. Dunning).

(Translation). I would not take up a single minute of the valuable time of the house to speak on the budget were it not for the

criticisms levelled by leading politicians, not only in this chamber but in the province of Quebec and particularly in my own constituency, against a certain item of the budget presented by the hon. Minister of Finance (Mr. Dunning). Before proceeding, I deem it my duty to congratulate the hon. minister, who presented such an admirable statement of the financial situation of the country.

As it is my intention to submit a claim on behalf of the French Canadian element in Canada, I shall address the house in my mother tongue, and in doing so, I offer no apology, for indeed it is a matter of regret that, owing to circumstances, we are so frequently called upon to use the English language.

As I was saying, in a circular published in a number of newspapers in the province of Quebec, a certain politician criticized the increase of the sales tax from 6 to 8 per cent. The taxpayers are well aware that in 1930, the sales tax had been reduced by the Liberal party to 1 per cent and that between 1930 and 1935, the same tax was raised to 6 per cent, which represents an increase of 5 per cent. At that time no circulars were printed to criticize the increase, nor was there a single voice raised in protest on the floor of the house. Other times, other ways!

Why is it necessary for the government to impose new taxes, and what are the facts? From 1930 to 1935, under the Conservative administration, our national debt increased by $867,000,000, which, at the rate of 3 per cent, represents an interest charge of $26,010,000.

Secondly, the country has to pay, in interest alone on our total debt, $134,550,000 a year.

Thirdly, for the last year of the Conservative administration, the deficit amounted to $162,191,000.

It is obvious that new sources of revenue were required to meet the obligations of the late regime. The sales tax reaches every one, and to a larger extent is paid by those whose purchases are greater; the wealthy will therefore pay more than the middle classes. So far as the unemployed receiving under direct relief are concerned, they will hardly be affected since practically all their requirements are purchased by the public authorities.

On the other hand, out of the $134,000,000 payable annually, the larger portion must go towards the payment of the war debt which, to use the words of the Minister of Finance himself, "is still the principal factor of our budgetary situation." We all know which party was responsible for the war debt and those who belong to that party should not find fault with the present government's earnest effort to pay off the enormous debt incurred by the Conservative party.

Once order is restored to the business of the country and our enormous debt has been reduced, the Liberal party will undoubtedly reduce the sales tax, just as they did in the past, and just as they succeeded in decreasing the national debt by $275,000,000 during their last administration. To achieve such a result, the present government will adhere to their usual policy of moderation and careful thought.

Should not, for instance, automobile owners rejoice at the reduction of the rate of duty on gasoline? Should not the farmers also welcome the 27 per cent reduction in the customs duty on farming implements?

I note with great pleasure that the budget presented by the hon. Minister of Finance is a fair one that distributes the burden of the national debt among all classes of society evenly, according to their ability to pay. In fact, legislation should not tend to penalize any class of the community, but aim to make for union amongst all classes, in the national interest.

In the few minutes to follow I should like, Mr. Speaker, to make a plea for union from a threefold viewpoint. I realize that agriculture is the basis of our wealth and the key to our national prosperity. In that connection, may I quote the statement once made by Hon. Honoré Mercier, a former prime minister of the province of Quebec:

> We are an agricultural country and upon the prosperity of agriculture depends our national progress. To seek to build our future on anything else but agriculture is to have recourse to artificial means that will prove just as useless as to attempt to stem the tide.

If it is possible for the government to subsidize a certain class of the community, for example by paying part of the cost of unemployment insurance, I believe they are also bound to pay part of the interest on farm loans and to provide loans for the farmers at a rate of 3 per cent. On the other hand, the procedure in connection with the obtaining of loans should be made more expeditious, less costly and more applicable to the laws and conditions existing in the province of Quebec. If farmers in a certain section of the country are to be granted subsidies or bonuses to stimulate the production of their chief commodity, would it not be equally fair that the farmers in eastern Canada also be paid a bonus on their production of butter and cheese?

The farmers of eastern Canada have their own problems as well as those of western

Canada. Let all be assisted or none. I consider that we should help every one and come to the assistance of all the provinces.

The sums recently appropriated for the western wheat growers was voted in order to redeem the pledges of the late government. Otherwise, I would have protested unless the eastern farmers had been assured of equal treatment. The farmers of the various provinces are not efficiently organized; their forces are divided. In every province there is a lack of practical unity in each province and a still greater lack of it among the farmers of the various provinces. All the farmers' unions in the country should be organized into a federation, so as to enable so important a class of the community to submit their claims more efficiently and expeditiously and to assert their rights. I therefore look forward to such a federation of Canadian farmers from the Atlantic to the Pacific. In order to achieve that result, the earnest cooperation of each province is required; only through good will can perfect understanding exist among all the citizens of the country. It is also necessary to dissipate all causes of envy, friction, misapprehension and prejudice.

As a second point of union, I shall now refer to a delicate subject. It is necessary that harmony should reign between the two great races composing this country. Personally, I have no fault to find with the element constituting the majority of the citizens of Canada. For nearly twenty years I have lived in Saskatchewan, among our English-speaking fellow citizens, and I have no cause to complain of them. On the contrary, they are endowed with business ability and a sense of discretion which we should seek to emulate. I must say, however, that a certain discontent seems to exist in the province of Quebec regarding the number of positions held by French-speaking Canadians in the federal service. I desire to quote a few figures on the subject. In 1932—and the situation has become much worse since—out of 40,638 civil servants, they numbered only 8,142, or 20·02 per cent, while on the basis of the French-speaking population of the country they should have had nearly 33 per cent of the number of federal civil servants, or 13,546. On the basis of salaries paid, the situation of the French-speaking civil servants is still worse. Out of a total of more than 66 million dollars, their salaries amounted only to $12,559,432, while based on the figures of the French-speaking population of the country they should be entitled to about 33 per cent of the total payroll, which is $22,325,347.

I do not wish my remarks to be misunderstood. I am simply stating facts. The time has not come yet to indulge in bitter protests, to show rancour and still less to resort to threats. I merely say that if a province must share the burden, pay its quota of taxation and contribute its share of sacrifice, it should receive its share of compensation. Let us render justice to whom justice is due. Let us not act in such a manner as to give any section of the population cause to feel itself unfairly treated or persecuted, for the discontent that will inevitably follow will react to the prejudice of all, and we are all here to stay and to live together.

At the celebration recently held in Orillia to honour the memory of Champlain, Dr. Cody, principal of Toronto university, proposed the toast to Quebec. Having paid tribute to a few great figures in our history, such as Champlain, La Salle, Laval and Montcalm, he added:

> These men have and still have descendants. Is it necessary to mention de Salaberry, Papineau, Cartier, Lafontaine and Laurier? The history of the past and of the present should help us better to understand each other. Our attitude towards one another should not be only one of tolerance, but of brotherhood and cooperation.

I congratulate and thank the Minister of Finance for having, for the first time, caused the budget statement to be translated into French and for having made possible its publication, in the French as well as in the English press, on the day of its delivery in the house.

As we all have at heart the future of our country, I wish to offer a third suggestion in connection with unity. The problem arising from unemployment, direct relief and the national debt is stupendous. It places our future in jeopardy. There is no reason why a young country like Canada should be unable to solve this problem. Should not the party leaders write on a single policy in the matter of unemployment? If extreme measures are necessary, we should take them. Could not the party leaders, meeting as a committee, decide upon a program to be carried, and then urge their respective parties to support such a uniform policy, not only in parliament but also at election time? The idea might appear impracticable to some, but I believe that every one should aspire to that ideal, for, as Lafontaine says in one of his well-known fables:

> L'histoire nous apprend qu'en de tels accidents,
> On fait de pareils dévouements.

I am not advocating a union or coalition government, but simply an understanding between parties, a union of Canadians for the settlement of the unemployment problem. I find the following in Le Droit, of the 9th instant: "All parties in France unite to save

the franc." Then, could not our own parties here also unite in an effort to protect our future?

The leader of the Conservative party (Mr. Bennett) is an able and public-spirited citizen and the right honourable the Prime Minister (Mr. Mackenzie King) is a sincere man, in whose veins flows the blood of a true patriot. In my opinion, one or the other of them should take steps to reach an understanding on unemployment. No doubt, the leaders of the other parties would join them in an effort to solve that all-important problem. The question of unemployment is such a distressing one that it hardly seems reasonable that a party should seek to sap the people's confidence in the government's endeavours to settle it. Bold and presumptuous as my suggestion may appear, I offer as excuse my frankness and sincerity. I am sure, Sir, that the illustrious Canadians who have passed away, Conservatives as well as Liberals, Macdonald, Cartier, Mackenzie and Laurier, would thrill with admiration at such a fine gesture made by their successors to preserve Canada from the dangers and consequences of unemployment and direct relief, two evils that can only spell disaster for Canada's younger generation.

In conclusion, I may say that the policy of this government is one which tends to end the present disastrous depression, and I trust that all parties having at heart the welfare of the country will give it their eager and sincere support.

Mr. JOSEPH NEEDHAM (The Battlefords): Mr. Speaker, it seems as if almost everything that could be said on the budget has already been said, but there are one or two points I should like to put forward.

Quite naturally I felt quite a thrill of pride in hearing the Minister of Finance (Mr. Dunning) present his budget on the first of May last, as he is one of my own countrymen who came out to this country just a year or two ahead of me and settled almost in the same district, and I have watched his progress from the time he went to the first convention in Prince Albert right down to the present.

The main subject I wish to discuss is the financial situation of the dominion, the enormous debt that has accumulated, $3,800,000,000, as presented in the budget of the Minister of Finance, and also the minister's statement that in making his budget this year he expects a deficit of not less than $100,000,000. To me those figures look very serious indeed. The national debt has been growing ever since confederation, at which time there was very little debt. Looking through the Canada Year Book I could count on the fingers of one hand the years since confederation when any reduction has been made in the national debt. That is a serious situation because we have passed through many years of prosperity as well as through some years of adversity, but the years have been one long, almost unbroken, succession of an accumulation of debt from confederation down to the present. No one government or party is responsible for that. There has been a succession of Liberal and Conservative governments in charge of the affairs of this country ever since confederation, except during the time of the Union government. One or other of the two old parties has always been in power; I understand that prior to the last election their periods of governing were just about equal, and so I say that no one government can be blamed more than another for the debt situation. In fact I suggest that there is very little difference when one analyzes the situation in its entirety.

The two old parties can be likened to a railway. The train runs along a certain track and reaches a certain destination. You may change the engineer periodically, but so long as the train goes along the same track it will arrive at the same destination. I think that is typical of the two old parties, and the results of their management are the present situation. After the election I received a letter from a friend of mine in Manitoba, and referring to the two old parties he said; "The Conservatives have been true to false principles and the Liberals have been false to true principles." That was his sizing up of the two old parties, and I think his comment is worthy of study in the situation in which we find ourselves at the present time. The wonder is that we continue with the same old system. The system that has produced the results we see at the present time surely is not a system that can bring about a change for the better. No corporation or company would pursue a similar line under similar circumstances, and yet we are doing it in government. I ask myself, do they not know a better system? I cannot satisfy myself that they do not know. When the leader of the opposition (Mr. Bennett) was Prime Minister he gave some radio addresses in which he indicated that he understood the situation and the remedies. I believe that had he implemented those radio pledges in the last session of the last parliament he would have been swept back to power with as great a majority as the Liberal party now holds.

Mr. BENNETT: But he did.

Mr. NEEDHAM: That was not the feeling where I lived.

Mr. BENNETT: But he did.

Mr. NEEDHAM: I shall have to analyze that statement, because I am satisfied that he did not. Had he done so he would have been swept back to office. I have not the least doubt that the present government understand the situation and the remedy just as well as do hon. members in this or any other part of the chamber. It seems to me it is just a matter of courage and the power to break with some force which is now holding them. That is the only solution to which I can come. I want to analyze the situation in a reasonable and fair way, because we think we have a solution; the Cooperative Commonwealth Federation think they have a solution; the Conservatives think they have a solution, and surely the government has something different from what has been going on since confederation. Mr. Speaker, I would ask you to call it eleven o'clock.

On motion of Mr. Needham the debate was adjourned.

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

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## Tuesday, May 12, 1936

The house met at three o'clock.

### BANKING AND COMMERCE

First report of the standing committee on banking and commerce.—Mr. Moore.

### PUBLIC BUILDINGS—COAL

On the orders of the day:

Mr. A. J. BROOKS (Royal): Mr. Speaker, on April 29 I asked the Minister of Public Works (Mr. Cardin) for information regarding the contract for the supply of coal to dominion public buildings in the maritime provinces, for the coal year 1935-36. I understood that the minister would table a return containing the information required. As yet I have not received this return, and I should like to ask the minister when I may expect it.

Hon. P. J. A. CARDIN (Minister of Public Works): I will undertake to make inquiry to ascertain the cause of the delay, and will have the report tabled as soon as possible.

[Mr. Bennett.]

### THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Monday, May 11, consideration of the motion of Hon. Charles A. Dunning (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the proposed amendment thereto of Mr. MacInnis, and the proposed amendment to the amendment of Mr. Hansell.

Mr. JOSEPH NEEDHAM (The Battlefords): When the house rose last evening I was asking how the government could justify its action in regard to the budget in not presenting some real monetary reform. At the outset I said I wished to deal with debt, and the interest incurred in connection with it. That is the theme I want to discuss.

Our problem as I see it throughout the dominion is one of interest. The interest on the debt of this country, federal, provincial, municipal, etcetera, is so staggering at the present time that it has become a question of deep concern to almost all our citizens. Faced as we are this year with another deficit of $100,000,000, the prospect does not look very bright. I say that interest is the biggest problem we have to face. Two questions were asked at the beginning of this session. One was: How much is the national debt at the present time? The answer given was that on January 31, 1936, the national debt stood at $2,895,124,222. The other question was: How much interest has the dominion paid since confederation? The answer given was $2,823,245,404. So you see the national debt and the amount of interest that has been paid are practically equal. This raises the question which is in many people's minds at the present time: Why should the federal government pay interest? This is a question which I want to consider with hon. members for a little while this afternoon.

I say there is a feeling in the minds of thousands and tens of thousands of people in this country that the national government should not pay interest on money, because we see that if we have to pay interest we are bound to go into debt more and more. If the country could be relieved of this one item we would have little or no debt. That is the problem I want to present. Without interest we would have practically no debt, and with interest we cannot help but have debt. Look at it in this way: If a person borrows money, say $1,000, and has to pay

eight per cent interest, eighty dollars a year must be provided from somewhere. Where is it to come from? He cannot make it. He can produce goods, but the bank will not take goods. He can produce wealth sufficient to pay his loan and his interest perhaps over and over again, but that wealth cannot be used to repay the loan; it will not be accepted. You will agree with me that every dollar that leaves the bank leaves it as a loan to someone. How can it be paid back when the borrower cannot make that with which to pay it back? May I use a simple illustration which will perhaps bring out the point clearly. Suppose a community starts up and a bank goes in there with say $20,000, and there are twenty people who borrow that $20,000, $1,000 each, at eight per cent. They go out and work, and when the notes are due in a year suppose ten of them have been very active, have produced and sold their products and have acquired the amount of the principal and interest due on the loan. They go to the bank and pay their loan and interest, which would aggregate $10,800. How are the other ten going to make out? They are bound to be $800 short, assuming there is no other money in that community but the $20,000; they can pay only $9,200. So there you have $1,600 that cannot be paid. They may have produced wealth sufficient to meet it, but they cannot find money, which is the only thing the bank will accept. What are they going to do? The bank has the $20,000 back, just what it loaned them, but there is a shortage of $1,600. The bank can again lend that $20,000, but in order that the ten people may again secure $1,000 each they will first have to borrow to pay the interest. That is the problem that we are up against at the present time. It does not matter how you analyze it; I do not see any other solution.

Take it from another angle which may present a point that has been raised very often during this session. Suppose a bank starts in a community, and twenty people deposit in the bank $1,000 each. The bank therefore has $20,000. All right; everyone in the community is working. Someone goes to the bank and says, "Will you lend me $1,000? The bank make inquiry and decide to make the loan. They place $1,000 to the credit of the borrower do they not? The $20,000 is in the bank; that is all right. The banker does not ask the other twenty people whether they will agree to lend the $1,000. But after that $1,000 has been lent those twenty-one people could write cheques for $21,000, yet there is only $20,000 there. Where does it come from? There is the situation. As you analyze these things they show the situation that exists at the present time.

As I said before, we have no quarrel with the bankers; it is the system that is wrong. Bankers are just as necessary as farmers or any other class of people in order to carry on the business of the country. I want to read an article taken from The Instructor, published at Gardenvale, Quebec, which shows how the thing works out:

> In 1919 the dominion government loaned to the Garden City Press the sum of $126,500 under its housing act, same to be paid back with interest in twenty years as follows: $3,157.50 on the first of every January, and $7,058.45 on the first of every July. These payments have been made regularly and on July 1, 1939, the full amount of the loan with interest at five per cent will have been paid back.

They have had the benefit of those homes. It continues:

> When this loan of $126,500 has been all repaid (on July 1, 1939), it will have cost the Garden City Press $377,800.60—($10,215.95 a year for twenty years at five per cent compounded interest). Of this sum $126,500 was expended for the building of homes and the balance, amounting to $211,300.60 will go, not into the treasury of the dominion government, but into the pockets of the few individuals who own and control the banking system of Canada, which has been modeled after the British system.
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> If the dominion government had made this loan direct, or through a bank owned and controlled by the government, the dominion treasury would have been benefitted to the amount of $211,300.60. This is the amount, which the privately owned banking system of Canada will have made out of this loan, without any outlay or risk on its part. This amount is first paid into the treasury of the dominion government and the treasury hands it over to the privately owned banking system. This privately owned banking system did not even have the trouble and expense of collecting it. The dominion government does that work for the banking system of Canada, free of charge. Why all this generosity? No one seems to be able to give a satisfactory answer to that question, except that it has always been done that way.

That is one phase of it. We will suppose that the mayor of Montreal came to Ottawa and said, "We have a slum district; we would like to pull down five hundred houses and replace them with new ones. I believe we could dispose of the houses and in that way repay the money to the government. It would take a million dollars, and we believe we could pay you back $50,000 a year." The natural question would be, "Have you available the men required to do the work?" To which he would reply, "Yes, we have." The next question would be, "Have you enough carpenters, masons and other men in the build-

ing trades?" "Yes." "Have you the necessary material, such as bricks, cement and the like?" "Yes." What would prevent the dominion government from advancing that million dollars, and having it paid back at $50,000 per year for twenty years, without interest? That is the question thousands of people are asking to-day. Where and how will the Minister of Finance (Mr. Dunning) take care of the $100,000,000 deficit, I suppose he will write a government bond issue in favour of some financial interests, and they will give back what? They will give either figures or bills. Why could not the Department of Finance do this on the credit of the country?

It is true the banks have not the wherewithal to lend one hundred million dollars. What have they?—just buildings and equipment, that is all. The minister has to give them the credit of the country, and in return he receives figures. If it cannot be done, I want the Minister of Finance to place on record the reasons why, because there are thousands of people throughout the dominion who want to know. If this action is feasible and if it is right, it is the first move that could be made to alleviate our present financial difficulties. In my estimation it is the action which should be taken.

We have heard this session about the staggering debt of Canada, and the statement has been made that we must furnish $350,000,000 per year to pay the interest on federal, provincial, municipal and school debts. It is a staggering amount—almost a million dollars a day for interest payments. But it is only part of the debt, because according to the Canada Year Book for 1935 I find that private company and indvidual loans on October 31, 1934, amounted to $1,015,472,167. This amount is in addition to the eight billions of government debts. When we remember that all revenue originates in industry, and that the greater the amount of revenue taken for interest on capital debt the less there is left for wages, one begins to wonder how industry survives at all. Of course the answer is that industry does not survive; it commits suicide. Ninety per cent of all industries fail. The average life of all industry is only seven years; only four per cent of our greatest industries have existed thirty years or more. The situation in Canada is serious, and it is not getting better as time goes on.

Mr. VIEN: Will the hon. member tell us from what source he got his figures?

Mr. NEEDHAM: They were from The Instructor, published in Gardenvale, Quebec.

[Mr. Needham.]

Mr. VIEN: I am satisfied.

Mr. NEEDHAM: Speaking a few days ago the hon. member for Huron-Perth (Mr. Golding) made this statement:

> The Liberals have a tremendous majority in this house, but with that goes a tremendous responsibility.

There is no doubt about that. If ever a government was on trial in Canada, surely it is the present one. I take it every hon. member feels he represents all his constituents, and for that reason Liberal members in this chamber represent a great majority of the citizens of Canada. These citizens are looking to you for action and for relief. You are the dominion government; in reality you are the dominion people, between elections. Just so far as you know why you were sent here to represent your constituencies, and just so far as you are aware of the responsibility to which the hon. member has referred, to that extent will the government act as you decide. When I make that statement I refer not to the cabinet but to hon. members of the Liberal party generally. There is the responsibility which rests upon each and every one of you.

On every coin in this dominion there is a picture of the king, and I think the king's picture should be on every currency bill as well. I want to know by what authority any chartered bank got the power to print money and put on it a picture of Sir Herbert Holt or of M. W. Wilson or of some of the other bank presidents. By what authority do they do that? I have been told ever since I came to this dominion that these bills are not legal tender. If they are not legal tender, there is only one conclusion, and that is they must be counterfeit, and if they are counterfeit it is time this government took some action about it. If the banks have no right to do what they have been doing, and we asked them to return the interest which they have been receiving illegally, we could readily deal with the national debt, could we not? I say again that the picture of our sovereign should be on all currency that is issued in this dominion, backed by one hundred per cent of the wealth of the country.

I call upon this government to fulfil its pledge given on the eve of the election by the Prime Minister (Mr. Mackenzie King) in these words:

> Usury once in control will wreck any nation. Until the control of currency and credit is restored to government and recognized as its most conspicuous and most sacred responsibility all thought of the sovereignty of parliament and of democracy is idle and futile.

I wonder just what those words mean, "restored to government?" There is the implication that the control should be there now, and that the government has never legally transferred it anywhere else. That is what this country is looking to the Prime Minister to do, but so far we have had no indication of any move in that direction. I believe, Mr. Speaker, that the words of the Prime Minister which I have just quoted are a distinct pledge of the Liberal party, one of their main planks, and I believe that the two gentlemen who are responsible for that plank being included in the Liberal platform are the Hon. Mitchell Hepburn, now Premier of Ontario, and Hon. Ian Mackenzie, one of the members of the present government. I appeal to them to see that that part of their pledge is fulfilled.

I had thought, sir, of dealing with the question of monetary reform being taught in our schools, but that is really a provincial matter. I would, however, call upon the departments of education throughout the dominion to see that our monetary system is taught in our schools so that people will understand the conditions under which the present system is functioning.

One cheering aspect of this whole thing is that public opinion is aroused as never before on this question. The people are on the march; they are investigating, and public opinion, I believe, is the factor that will decide the issue sooner or later. If this government want to kill communism, if they want to check socialism, if they are not in favour of social credit, let them get busy and reform the present system themselves, or the people will put someone else in power that will. The opportunity is yours and the country is behind you; there is no doubt about that, and if you act now you can do something for this country that will make the Liberal party immortal. If you do not, I hesitate to say what may happen.

Hon. W. R. MOTHERWELL (Melville): Mr. Speaker, it has been my privilege to listen to fifteen budget speeches in this house and to about as many more up in Regina, and I do not think I have ever taken quite so much satisfaction and pleasure in listening to any of them as I have in listening to the one delivered by the Minister of Finance (Mr. Dunning) a week ago last Friday. It was a wonder for candour and comprehensiveness. I think I like it best because there were no phony money stunts in it, and that sort of thing—Doctor Townsend's plan, Upton Sinclair's, that kind of highly infectious economic disease that usually befalls the nation every time we have a period of great depression. I do not want to become too personal but I must say that this house has not been entirely free from that infection. However, it is just a nursery disease that we get over easily and we hope that will be the case here.

There has been one notable omission in the debate that followed the excellent budget speech of the finance minister, and that is there has been no reference, with one exception, to the virtues of honest toil. Honest labour faithfully performed has ceased to be a commendable attribute in man, in the estimation of some of our people. I was brought up on the wholesome doctrine that early to bed and early to rise makes a man healthy, wealthy and wise. It may be foolish in some respects, but it is mighty sound in others—I hesitate to use the word "sound" for fear it means something unsound in these days. I am sometimes not only amazed but saddened when I hear hon. gentlemen in this house and in the country speak of hard work with disdain, as if it were not a desirable attribute of man at all, but something to be shunned, something that should belong to the age of scarcity. This is an age of plenty, we are told, and therefore we should talk more about leisure, how to put in our time, how to shorten the working day, and enjoy the comforts of modern civilization. So far as applying that doctrine to agriculture is concerned, I do not know any land that has become great as an agricultural land or any farmer who has succeeded by sitting down and counting the hours till sundown, and pleading for a shorter working day and a shorter working week. Agriculture is of necessity a seasonal occupation, and you cannot gauge it by the hours of industry and do justice to both.

The leader of the C.C.F., that abbreviation for Cooperative Commonwealth Federation, which is a disguise, and a thin disguise, for state socialism, suggested that farming could be run on a six-hour day, and that if we could not get our work done in six hours, then have two or three shifts as they do in industry. I do not think I ever heard anything so effective against the C.C.F. and their theories as when I heard that astonishing doctrine enunciated right in this room.

I like the budget, too, because I think it gives more consideration, especially from the tariff standpoint, to agriculture than has any other first budget of a new parliament as far back as I can remember. My recollection is that there were few if any changes in the first budget presented by the government of Sir Wilfrid Laurier and I know there were many but small changes in the first

budget presented by the King government which came into power late in 1921. In fact, they were so small that those of us who were anxious to have larger changes made were a little dissatisfied. However, the changes increased in the aggregate until they culminated in the Dunning budget, which was condemned by the people of Canada but which is now being endorsed so successfully, not only in this house but throughout the country generally.

This is all the more so when we take into account the trade agreement recently entered into between Canada and the United States. When we consider the changes made under that agreement plus the changes made in this budget we find the largest number of worthwhile changes in respect to agriculture ever made by any government in Canada at its first session. There have been two or three challenges as to the soundness of this budget, but that is quite natural. As the farmers approve of the changes in the budget, so do the manufacturers and their friends not approve. In the session of 1930 the previous government shot the tariff upwards, especially with regard to agricultural implements. The duties on some implements were doubled; on others they were tripled and on others they were quadrupled. They were put up to twenty-five per cent. Under the trade agreement recently entered into with the United States, plus the budget reductions, the average duty on agricultural implements has been reduced to 7½ per cent.

Can any exception be taken to these reductions? It is only a case of "as you were." If the manufacturers got a break in 1930, surely the farmers are entitled to a break now. Unless we do get a few breaks like this, we will soon be broke ourselves beyond mending. I look forward to the time when our manufacturers will be able to thrive under a low tariff just as they throve under the low tariff of the Liberal government from 1922 to 1930. It may be a little presumptuous of me to make a suggestion to the Minister of Finance, but I am going to do so because I realize he is in urgent need of revenue. I believe he could find additional revenue from one or two other sources. The free list does not produce any revenue, and only very little revenue is produced from a prohibitive tariff. I know it is almost like heresy for a Liberal to suggest anything like making a free article dutiable even temporarily, but this government is not a free trade government. The Liberal party is a low tariff party; we believe in the lowest tariff consistent with revenue requirements. The only ones in the opposition who do not believe this are those who do not want to understand. There is a gentleman on the tariff board who used to use his spare time trying to prove that the Liberal party was the high tariff party; I wonder what evidence to that effect he will be able to produce now after this budget is completed? I think this budget shows that there is a real cleavage between the two major parties, notwithstanding the fact that the third party fondly tries to convince itself that there is no difference.

I suggest to the minister that he explore the possibilities of additional revenue by investigating the articles now on the free list. Many of these article could be taken off the free list temporarily in order to meet the present emergency. I want to help the minister in every way possible to get revenue, because we cannot balance our budget without revenue. I would not like to see the sales tax raised any higher, but I think additional revenue could be got in the way I am suggesting. I once had occasion to go over the free list and I saw how extensive it was. A small tariff could be placed against some of these items or an excise duty levied, if we want it that way. This could be taken off automatically in the course of two or three years, or whatever time might be decided upon. I am looking to the time when it will be possible to bring the remaining high tariffs down to a revenue producing basis. If that were done I believe we would obtain a greater amount of revenue and also ease the consumer's burden.

I leave these suggestions with the minister. It is only a layman's advice, but it is not long since the minister himself was a brother layman and I think he will understand.

The budget debate is sometimes used as a means of directing attention to the grievances of one's constituents. There has been a particular grievance in Saskatchewan, and perhaps throughout the west generally, namely that our wheat is being tampered with at the terminals before it is exported. Before 1900 there was no law governing the transportation and warehousing of our wheat, but in that year the Canada Grain Act came into force. Prior to that time the grain dealers had debauched the business so completely that they themselves applied for remedial measures, and they joined with the farmers in asking for the Canada Grain Act in 1900—it was then called the Manitoba Grain Act. But there has always been a tendency to go back to the old ways. Eastern members will notice that quite often a royal commission is being appointed to inquire into the grain trade. We get things fixed up for a time and then all of a sudden trouble breaks out some-

where else. Practices prohibited under previous legislation are evaded in some way or other. I should like to show what I mean by quoting from Hansard of last year. On March 25, 1935, the house was in committee of supply dealing with the estimates of the former minister of trade and commerce, Hon. Mr. Hanson. I should like to quote from the discussion that took place in connection with an item pertaining to the administration of the Canada Grain Act. The former member for Macleod (Mr. Coote) started the discussion, which continued for about an hour and a half, and I recommend the reading of this discussion to hon. members who are interested in this matter. I quote from page 2066 of Hansard of last year as follows:

Mr. Coote: Mr. Chairman, a few years ago the Canada Grain Act was amended so as to prohibit the mixing of wheat in grades Nos. 1, 2 and 3 northern, and before this vote is carried I hope the minister will tell us what steps are being taken by the grain commission to see that that provision of the Canada Grain Act is being carried out.

While I am on my feet there is another matter I should like to bring to the attention of the committee. Even if those provisions for the prevention of mixing may be carried out, another practice apparently has grown up which lowers the standard of No. 1 and No. 2 northern in particular so far as shipments overseas are concerned. It is quite a common practice, I am told, for cars of No. 1 and No. 2 northern wheat which are sampled at Winnipeg to be tested for protein content by the grain companies. Word is sent ahead to the terminal at Fort William, and if this wheat is of a high protein content in many cases it is binned by itself and certain bins apparently are held for what is called selected No. 1 northern, high protein. The result of this practice, it seems to me, must be to lower the grade of the bulk of the wheat that goes out to our overseas customers.

That is the complaint. While the mixing of grades was prohibited, the selecting of high class protein cars was not prohibited. We are told that there is a principle in law that you cannot do indirectly what the law prohibits your doing directly. In my estimation this is not only a wrong practice, but an illegal one. The best cars are skinned out, as it is termed, and sold on a premium basis in the United States. The depreciated balance is sent to the overseas markets where we have to meet the strongest competition in the world. That is wrong. Mr. Hanson admitted that it was being done, but he said that it was done in such small proportions that it did not materially affect the overseas shipment. He admitted however, in a statement which I will read, that if it assumed larger proportions then of course it would be another matter. Here is his reply:

With respect to the second matter to which my hon. friend alluded, namely, the special binning of wheat at terminal elevators, I am advised that a perusal of the grain act will show that this is a perfectly legal process under the provisions of the act itself. This special binning of select wheats by terminal elevators is legal under the grain act and is controlled by the commissioners, in so far as the special bins leased for this purpose have to be authorized by them. It would not appear that this matter is of any considerable importance, because out of a total of 62,000,000 bushels which came to the head of the lakes during the past season, only 820,000 bushels have been so binned. This is only about one and one-quarter per cent of the total. This facility of special binning is open to all interests, including the Canadian mills. In order to specially bin wheat it is necessary for the purchaser to obtain the owner's consent, thereby assuring an equitable return of the premium paid in this connection. An objectionable practice which was stopped in 1930 was that of permitting the diverting of special wheat without the owner's consent and frequently without any premium compensation being paid to the owner. I am advised by the commission that the only possible objection to this practice is that it more or less reduces the average quality of the outgoing shipments, that is the shipments which go to the export trade.

Think of the guilelessness of that gentleman—no, that is not a good word. He was a new minister and we felt sympathetic towards him, and he could not properly have been expected to understand the wheat trade in the few months he had occupied that position prior to this debate. So that I will not call it guilelessness. But call it what you will when he said "the only possible objection" would be that it more or less resulted in a deterioration in the quality of shipments that went overseas. The evidence is on record and I point to it once more this afternoon in the hope that when the report of the special committee on marketing is submitted and the government refers it, as I assume it will be referred, to a royal commission—that is what is forecast—the scope of the commission's inquiry will be sufficiently wide to enable it to deal not only with marketing but with these evils that have again crept into the handling of wheat at the head of the lakes. Let me read another Hansard extract from my own remarks:

Each year that this item has been under discussion up to the present time I have inquired of the previous minister whether there was any evidence of the restored mixing of wheat grades. The practice was general years ago. The answer which that minister gave was invariably, no. Well, each year I hear further reports of it. I am not making any charge just now but I want to put the

government on their guard. It is easy to start these practices but difficult to stop them. These practices invariably begin under Conservative governments and then it takes the succeeding government nearly all their time in office to stop them. In 1930 an attempt was made by some of us to prohibit the mixing of grades and a compromise was reached, prohibiting mixing in the four top northern grades and permitting it in the rest of the grades. As a matter of practice anything that is not prohibited under the grain act is usually done; that is the substance of the matter. It is not particularly made illegal, but it is not prohibited and therefore it is gone ahead with. I have grave suspicions and pretty reliable information that the law is being broken with respect to the four top grades. I did not hear the first remarks of the hon. member for Macleod (Mr. Coote), but I understood him to be drawing attention to the special binned top grades. These grades are isolated and special binned for their quality and are sent to the United States, where a premium is paid therefor. That is exactly the way it started before, only it was with carloads; carloads were switched and cut out and sent somewhere—usually to our millers. To the extent that that was done, what was exported overseas was correspondingly impoverished in quality.

There can be no doubt about that. If you have a dozen apples on that table and you take out the three best, then the other nine will be of a lower average than the original twelve. Anyone can understand that. Mr. Hanson, replying to Mr. Vallance, stated as reported at pages 2069 and 2070:

As regards the degradation,—

He uses a stronger word even than I used.

—by reason of this special binning, of the quantity that goes into the export trade, I agree with the hon. gentleman. But it is permitted by the act and I do not think that any great harm is done where the quantity is so small. I believe that is the opinion of the commission. Of course, if it assumed larger proportions it would be a different matter.

I have not the exact figures from the bureau of statistics, but I know that the export of milling wheat to the United States has greatly increased this year. Earlier in the season it was estimated to be between 35 million and 50 million bushels. There is nothing however to indicate how much of that has been special binned in the manner I have described, or how little, but the opportunity is there, and I think it is high time we dealt with that questionable practice.

About a year ago I received from a former superintendent of a terminal elevator at Port Arthur a statement to the effect that the mixing practices that had been prohibited, not only those that I have described but the actual physical mixing of wheat, had been reintroduced by some terminals in every conceivable way, as much as they dared and could get by with. I have no reason to doubt the accuracy of that statement. I purposely refrained from bringing it with me, for I do not think it is wise to disclose the identity of this gentleman, because prospective witnesses sometimes have a habit of disappearing. I must ask the house to take my statement. I hope it is not stretching a privilege too far when I assure the house that I have in my possession a very lengthy document volunteered by a former superintendent of a terminal elevator indicating that these practices are being largely carried out now.



Mr. BENNETT: What year was that?

Mr. MOTHERWELL: 1933 and since. If that is so, I do not think there is an hon. member in this chamber who will not want our Canadian wheat protected from debasement. We speak of defaulting on bonds, defaulting on anything, and we shrink from it. When we do not live up to our wheat certificates, or for that matter our cheese certificates or any other certificate which the government of Canada is behind, we default just as much as we do when we default on bonds, and I hope that this will be the view taken by the committee, and that this investigation with respect to marketing will be sufficiently wide to take in the question of maintenance of quality. I hope to see this done, first, to remove the evil, and secondly, for the reason that the very first prerequisite of marketing is to have a good article to market. There is an old adage that if you buy an article right it is half sold. I do not know whether the chairman of the price spreads committee will agree with that. In order to buy properly you must buy in bulk, and that means mass buying. And this is equally true. In order to sell wheat or any other cereal or commodity properly you must produce right and deliver to the prospective customer right, and then your product is half sold. Anything that works to our disadvantage, anything that removes the edge we have over other wheat, puts us at the mercy of our competitors. We must compete against the depreciated currency of two of our very strongest opponents, the Argentine and Australia, but we have two advantages to offset that. I am going to make one admission now in the presence of the right hon. leader of the opposition (Mr. Bennett). After inquiry I believe we have a slight edge by reason of this six cent British preference on wheat. I will not go into that matter at length, but I think I owe the right hon. gentleman that admission.

Some hon. MEMBERS: Hear, hear.

Mr. MOTHERWELL: It is very slight, though. I mention this because we violated the conditions of the contract which entitled us to that preference when we sold wheat not at the world price but at sometimes ten to twelve cents above it, so that preference was liable to be taken away, which is not the case now. I had no opportunity at that time to make this admission, but if it will do my right hon. friend any good I make it now. Possibly I am doing this more for my own sake than for his, but I feel I should say that because of that preference we have a slight edge under certain circumstances. The other advantage is in the quality of our wheat. If in hard times we put our price too high and above competitive prices, the consumers are going to use just as little of our wheat as possible. Wheat must be sold at competitive prices with comparable wheat of other countries. There is no other way to sell it and still get your share of the sales; there never has been any other way and I do not expect there ever will be any other way. An attempt was made, for four years, 1932 to 1935, to sell our wheat in another way, but it failed.

That is about all I wish to say with regard to this question. Now that we have gone into this business of wheat marketing, we do not know for how long, let us all get behind that wheat board and behind any government which may occupy the treasury benches. Let us see that the quality of our wheat surpasses the quality of any other wheat which goes on the market, and in that way we shall be able to offset the disadvantages that are apparent. We are up against the problem of distance, for one thing; our wheat is grown away in the interior of a great continent, far from the ocean no matter which way you look. Then there is the disadvantage of the depreciated currencies, already referred to, of other countries. I think I will leave it at that; I think hon. members are sympathetic with these views, and I just wish to say to the house that this is a situation which cannot be taken care of if we confine this prospective royal commission strictly to what is called marketing, or marketing methods.

Well, Mr. Speaker, I think I have gone over that without making very much of a break, though I have had to do some plain and fancy skating, and that will be even more the case in connection with the next subject. If I had any hair, this question of debt would make it stand up, sometimes, when I think of it. The vortex, the maelstrom of debt in which we find ourselves, individually and collectively as a people, did not start yesterday or the day before or after the war. It started early in this century, or maybe before that. Speaking of the west, which I know more particularly, in the early days we did not have any opportunities of getting into debt because until about 1894 no one would trust us. The early settlers went in there in 1882, and for the next twelve or fourteen years you might as well have asked a moneyed man to take a mortgage on a square mile of sunshine or atmosphere as on a square mile of land. There was an abundance of both, but land had no value as security for a loan until it was demonstrated what the land would do. Then we had a period of fair prices and large crops, and moneylenders crowded the money on to us until it nearly amounted to an orgy. As treasurer of a school district I was in a position to know how this thing was going on, and long before it was known publicly I was horrified at the number of men who were putting mortgages on their land. I often wondered how they were ever going to get them off, when the land became older and dirtier, the equipment worn out and the men themselves older and worn out. As a matter of fact many farmers did pay off their mortgages and then contracted new debts during the war, so they found themselves in a more difficult position than ever.

In the beginning of the borrowing era about 1894, mortgages were taken on a bunch of ponies, or any other chattels, for $300 or $400. That was all you could get. Then one or two private banks came in with plenty of capital, which permitted them to take pretty good risks considering the interest that was charged, ranging from 24 to 36 per cent. Then the chartered banks came in, sometimes two or three of them in a town like Indian Head. They would come out on the street and canvass for loans. In the old days of the open bar it used to be, "Come in and have a hooker." The banks said, "Come in and have a thousand, and later on when you sell your wheat you can pay it back." How could frail flesh resist that enticing offer and appeal? Then came the mortgage companies, competing for our business and vying with each other as to which one would give a farmer the largest mortgage. Later many began to find it difficult to pay back the money with interest at eight per cent, nine per cent, or whatever it was.

Then a great agitation arose for the government of Saskatchewan, of which I was a member, to go into the farm loaning business. Four other provinces were induced by pressure of public sentiment to go into the very doubtful business of lending money to their constituents. I do not need to enlarge on what happened to them; I think the Minister of Agriculture (Mr. Gardiner) knows. I believe

Saskatchewan lost less than the others, because that government administered the money pretty carefully and handled the loans in a pretty businesslike way, but they all lost money, including this old province of Ontario. Then, not satisfied with that, public pressure came to the highest government in the land, the federal government, and induced it to go into the loaning business. That was started in 1927, with perfectly good intentions. Just as the legislation of last session and the session before, in regard to the Farmers' Creditors Arrangement Act, and the enlargement of the amount available under the Farm Loan Act, was intended to adjust farm debts and make farm loans, so the original federal Farm Loan Act of 1927 was introduced primarily not so much with the intention of doing a lot of lending but for the purpose of controlling interest rates, and it achieved that purpose. In Saskatchewan we have an act called the municipal hail insurance act that has been on the statute books for nearly a quarter of a century. It does not pretend to do everything in the hail insurance business, but it is a great factor in controlling the rates of private companies. It was with much the same idea that the federal farm loan board was created in 1927, not to make many loans but to control interest charges.

Then two years later came the smash, and all commercial companies loaning money to farmers disappeared. I do not know where they went; they scooted out of sight and were not to be found. To-day I do not know of any corporation or individual throughout Canada making a business of lending money on farm mortgages. The result is that we have unconsciously, unwittingly, drifted into the same position with farm loans as we did in regard to the nationalization of our railways. It was not with deliberate intent that the railways which now form the national system were taken over as a government proposition. There was an alternative, as we all know—put them up at auction, get what you could out of them. But that course was not taken. I am not criticizing that, but I am pointing out that inadvertently they came into the hands of the government, and now this government is pledged to give them a fair chance. That is our policy; now that we have them, give them a fair opportunity to make good.

I do not know whether I am in a position to say that about the farm loan board. I have a great many complaints about the farm loan board, about the amount of money borrowers are getting. The mania for borrowing has become so impregnated into the very fibre of our people that a great many seem to think the best way out of one hole is to get into a deeper one. That has been tried all too often and has nearly always failed. We have exhausted every commercial means of borrowing. Surely the collective wisdom of the cabinet can devise some better way to assist agriculture than by the state lending money to its subjects. I submit that for consideration by the cabinet. It is said that fools rush in where angels fear to tread; well, on the other hand it was also said by the red men of yore that you cannot scalp a bald man. Believe me, it is in the interests of the country that we should hesitate at this stage before we go too far, and find out—but I am not suggesting another commission—whether there is not a better, a more abiding, a more effective way of helping distressed agriculture than by the state lending its subjects money. I cannot state what attitude I took in the Saskatchewan legislature except to accept my full share of responsibility back in 1917; I think my obligation as an adviser of the crown forbids my stating that; neither can I make it plain what attitude I took here in 1927. But I am at liberty at least now to warn the house of the danger, not only to the treasury—because half the money will be lost if provincial loaning experience goes for anything—not only is the treasury in danger of being smashed, but every government that administers a lending policy like that is itself in danger of being smashed, and the ultimate result will be of very doubtful benefit to the farmers themselves. Why? Because it is perpetuating the same idea, that the only way to get along is to borrow oneself into prosperity. That is wrong. A little borrowing may be a great blessing, but unlimited borrowing such as we have had is a great curse. I have sometimes used strychnine as an illustration; it is a great heart tonic, but if you double the dose you will soon turn up your toes. It is the same with debt. A moderate mortgage may be made helpful, but if we ever get on our feet out of this morass of debt I hope that whatever authority is in charge will see that there is a maximum limit put upon the mortgaging of farms, something that in reason can be paid back. If we do that we shall reap the blessing, but as it is now, we are reaping the curse. We have sown the wind in the past, and are now reaping the whirlwind. Canada is a young country; it is only a little over a hundred years since this city was founded, since Colonel By dug the Rideau canal. That is only a tick of the clock compared with the age of the old countries of Europe. We can easily correct these mistakes that have been made if we

are so disposed. Some people say: What is the use of looking to the past? But what is the use of living if we are not to learn from the mistakes of the past? If we are going to commit them over and over again without heed to the lessons to be learned, then we are living in vain.

I may be asked; How would I do it? What suggestions would I make to better farming conditions. After hearing the remarks of the hon. member for Carleton (Mr. Hyndman) yesterday, some of which I think were wise and some otherwise, I am going to mention one, the wise one. That hon. member takes the ground that dairying should be helped in some way, and I agree. Dairying is the chief cornerstone of eastern agriculture—dairying plus its allied industries, the raising of hogs and poultry. In theory we are all opposed to subsidies, and I think there is a more excellent way for the dairy industry to be helped than by subsidies, although I am saying nothing against that proposal as a last resort. In the budget debate of 1931 I made the suggestion to the then minister of agriculture that if the government were going to spend money on a building program some of the buildings to be put up should be for agricultural purposes; that would assist us to get back to normal. Inasmuch as agriculture is now and must be the major primary industry in Canada—of course mines have come to the front very rapidly, while timber and fishing are also important primary natural industries—I was speaking then more particularly on behalf of agriculture; I then took the ground that if you are going to have a building program the money should be spent for productive buildings, to help Canada to get on her feet again.

Now, how can we do that? I have had the opportunity of seeing the dairy industry of other countries, seeing their facilities for making cheese and butter—great, fine modern buildings, not too extravagant, but suitable for making all the major products into which milk is processed. If the market calls for cheese, make cheese; if for butter, make butter, and so on. There they are, well located, ready to make whatever products the market call for, in these combination factories. Not only that, but the turn-over is great; they manufacture in such large volume that they are able to keep down the cost per pound and thereby give the producer more for his milk. Now, that is no dream. It is contrary, I know, to the doctrine of the Bull Moose of the price spreads committee, that mass production and mass buying are evils. The man who tries to run a cheese factory on the basis of ten or twelve cheese a day will be convinced that it is going to cost a lot more than a larger make. Such a small factory cannot afford to hire the best cheesemaker and then the quality tends to go down. The principle of mass production and mass buying is sound generally. Lest some hon. members may think that is a theory which has not been well demonstrated in dairy practice, I may say—and I can talk all the more freely of this because it was started by a good Tory government—that in 1916, under the Hon. Martin Burrell, right in the middle of the war, the Department of Agriculture, the deputy of which was then Doctor Grisdale, one of the many who disappeared during the exodus of deputies in the last five years, established a large combined factory at Finch in Stormont county. They bought three or four old factories and combined them into one. They produced butter and cheese and other processed commodities of milk so cheaply and with such satisfaction to the patrons that they could not take care of all the milk which was offered.

The DEPUTY SPEAKER: I am sorry to interrupt, but the hon. member has exceeded his time.

Mr. MOTHERWELL: Well, to be continued in my next.

Mr. C. G. MacNEIL: (Vancouver North): Mr. Speaker, I consider it my duty to support the amendment, for I cannot accept certain principles laid down by the Minister of Finance (Mr. Dunning) in his capable presentation of the budget. My reasons, which I will state briefly, are mainly concerned with the welfare of the majority of those whom I represent in this house. The financial policy of the government as outlined by the minister is frankly a plan, as he stated, "to end an era of recurring deficits as an essential condition of the restoration of business confidence and the free functioning of private enterprise." In this plan when considered in connection with the general policy of the government as now outlined, I cannot discover any hope for immediate and substantial improvement of the living conditions of the many who must now endure the intolerable burden of insecurity and poverty. I am at a loss to discover the intention fully to utilize the material resources at hand with our productive capacity to elevate the material basis of living in our country. I can find no assurance that we may achieve that form of economic recovery required to rescue the submerged

sections of our population. A plan which contemplates greater freedom for private enterprise as now functioning in Canada simply provides a screen behind which the poor will grow poorer and the rich will acquire greater and greater economic power. The government policy does not disclose any intention to control those forces which are making for the disintegration of the national economy. The trends of business as directed by private enterprise will not permit anyone to say that we may plan that the poor will remain poor but not get any poorer, and the rich will remain rich and not get any richer. On the contrary, greater latitude given private enterprise inevitably spells greater misery for the workers.

It is most unjust that the workers of Canada should be asked at this time to bear the additional tax burden represented in the increased sales tax of eight per cent. Authorities on taxation generally agree that the sales tax is at best a crude method of taxation. It is a tax on consumption, on expenditure. It was originally introduced as an emergency measure only, during the war years, and it has always been held for sound reasons that it should be counterbalanced, if used, by a progressive income tax, more especially on the higher brackets of income. Its chief defect is that it falls heavily on the poorest consumers. The poorer sections of the consuming public spend a larger portion of their incomes on things which are necessary for decent living and save a smaller portion of their incomes than the wealthier sections. A sales tax disregards the number of dependents, the sources and amounts of income. Furthermore, if by reason of the sales tax prices are raised on a commodity with an elastic demand, such business is curtailed. If for the same reason prices are raised on a commodity with an inelastic demand, the consumer curtails his purchases in other directions. The final effect is a general reduction in business. In addition there is always a tendency on the part of mercantile interests to seize upon any increase in the sales tax as a pretext for an unwarranted increase of prices. This becomes evident in the process by which the sales tax after the merchandise leaves the hands of the producers is usually absorbed in the purchase price paid by the various distributive agencies through which it passes. As in the process no distinction is made between commodity and tax, and the usual gross profit is successively added thereto, the increased price the consumer must pay when the merchandise actually reaches his hands is in that degree greater than the actual increase due alone to the sales tax. These defects, which are apparent always upon the imposition of a sales tax, become all the more pronounced when the sales tax is increased to it present level. Thousands of our workers are at this time on relief; thousands are desperately striving to make ends meet on the most beggarly incomes, and maintain the decencies of life. Any increase in the cost of living without commensurate increase in wages, any depreciation in real wages, means for them not less saving but greater deprivation.

Taxation should be levied with regard to the ability to pay, and should be designed so as to remove the inequalities apparent on every hand. The member for Winnipeg North Centre (Mr. Woodsworth) made a telling case when the other evening he placed on the record an analysis of income tax returns for those in receipt of incomes in excess of $10,000. In the table furnished it is shown that in the $10,000 to $50,000 class the minimum incomes after income tax has been paid ranged from $9,000 to $34,000, involving some 6,133 taxpayers, not including those with incomes over $50,000. It has also been shown on other occasions that 56·2 per cent of Canadian income receivers have incomes of less than $1,000 per annum. 23·7 per cent receive between $1,000 and $1,500. The remaining 20 per cent of the income receivers secure almost one half of the total national income. Those over $10,000 receive an aggregate income equal to that of more than 400,000 of the lowest paid group. If it were the intention of the government to protect rather than imperil the living standards of the toiling masses, surely these statistics indicate the manner in which any additional tax burden should be levied.

The minister anticipates a revenue of $88,700,000 from income tax receipts during the current fiscal year. He anticipates an additional $23,000,000 resulting from the increase of the sales tax. In this connection it is worthy of note that if the Australian income tax rates were made applicable here, making due allowance for differences in population, wealth, and distribution of income, these rates would yield Canada about $114,000,000 or an additional $26,000,000. Practically the same comparison may be made with New Zealand. I submit that in the interests of national stability it would be safer to explore these avenues of taxation than to demand another $23,000,000 from the consuming public by means of an increased sales tax.

In view of the enormous concentration of wealth and centralization of control over our

economic enterprises that has arisen in Canada, it is reasonable to suggest that this parliament should now consider the levy of a dominion inheritance tax, over and above the succession duties now levied by the provinces. Similar taxes in the other dominions have yielded substantial revenue and have contributed to a more equitable distribution of wealth and income. Statistics will show that if the Canadian government taxed inheritances on the Australian scale, the national revenue would be increased from $18,000,000 to $24,000,000, after deducting the present provincial taxes of approximately $13,000,000. An inheritance tax comparable with that of New Zealand should provide a net yield of $25,000,000. I could quote eminent authorities to show that this may now be done without any dislocation of the economic machinery or any serious discouragement to enterprise.

Even to a novice in matters financial it is a matter of simple arithmetic to calculate that we cannot hope for many years to come to balance the budget in the orthodox manner and at the same time substantially reduce the debt burden. Our national debt with its interest charges has assumed such proportions that we cannot safely rely on any anticipated increase in the aggregate national wealth or increase of population. To do nothing about it means that we must continue to pay heavy annual tribute to those who own our debt. Already this tribute amounts to 36·2 per cent of our national revenue. To do nothing would mean the virtual adoption of the policy so frequently and vigorously opposed by the finance minister. We will be taking from all of us to pay some of us. Any attempt to reduce the debt from ordinary surplus revenue would require an unpleasant increase in taxation, as well as substantial reduction in government expenditure. Taxation is already high, and any substantial reduction in public expenditure would necessarily spell the forfeiture of necessary and desirable social services. The most expert conversion operations, as contemplated, cannot possibly reduce the debt in any substantial degree in the next decade. For this reason we propose in the amendment, a debt redemption levy with the object of paying off quickly, by a special emergency effort, a large proportion of the debt, thus allowing a permanent lowering of the level of annual taxation and a permanent raising of the level of social expenditure.

Such a debt redemption levy would constitute a special emergency payment by all individuals owning more than a specified amount of real wealth. Payments might be graduated according to individual ability to pay. The basis of assessment would be individual and not corporate. The greater the wealth of the individual, the greater the proportion he would be required to pay. The levy would be secured in one payment, and not annually like the income tax, though provision would undoubtedly be made for payment in instalments over a period of years. The sum secured through such levy would be earmarked for debt reduction and would be applied so as to ensure, as I have stated, a permanent reduction in taxation and a permanent expansion of social expenditure.

As the minister has stated, the index of prices levels fell from 96 in 1929 to 72·4 in March last. It may therefore be said that the purchasing power of the dollar, and with it the burden of the debt, has risen by about a third. No one may safely predict the future of prices or of currency systems, but a further fall in the price level is at least a serious possibility. This would still further increase the burden of the debt, and would make it difficult to balance any budget without the most ruthless economy and increase of taxation. The yield of taxes in terms of money would shrink, expenditure in terms of money would not shrink as rapidly, and the biggest single item of expenditure—interest on the debt—would not shrink at all. As a writer has stated in reviewing the present economic situation in Canada, "It is surely not unreasonable to ask the wealthier members of society to surrender, at long last, the windfall gift of the depression." It is surely not unreasonable to suggest as well that we protect ourselves as far as possible against that which may occur in the future adding to an already intolerable burden. Another economist has stated:

> In two respects however, history does seem likely to repeat itself, if we choose to give it the opportunity. In so far as we rely upon future conversions to reduce the annual interest charge on the debt, we are likely again to achieve very little. And if we make no serious attempt to repay a large part of the debt in the near future, false economies in social expenditure will almost certainly be repeated and wide fields of human hope and promise will continue to lie waste.

The proposal of a debt redemption levy was placed before the Liberal summer conference of 1933 by Professor K. W. Taylor, and is set forth in that well known book entitled The Liberal Way, with which hon. members are no doubt well acquainted. Speaking of the annual interest charges, Professor Taylor says in part:

> The serious economic effects are that it increases taxation, that it prevents governments undertaking useful and proper expansion of

social services and other desirable expenditures, and, under the regressive system of taxation in Canada, it results to a considerable extent in the transfer of income from the poor to the well-to-do.

Again he states:

The fairest and most satisfactory of the drastic measures is the capital levy, which is practicable, fair and theoretically sound. Detailed specifications have been worked out in England, both officially and unofficially. No such calculations have been made in Canada but probably at least $2,000,000,000 could be wiped out in this way without any serious disturbing effects on the foundations of our economic life.

So we submit that the proposal of a debt redemption levy is sound, practicable, and should now be considered by the government. We advance it not as a panacea or cure-all for our economic ills, but as presenting a safer and more practicable method of reducing the national debt than any yet proposed, within the ambit of the present economic system.

My chief concern is that the policy of the government will tend to crystallize conditions described in an editorial in the current issue of Maclean's Magazine. This editorial referring to the appointment of the national employment commission, says in part:

Neither the bill which outlines the powers and duties of the commission nor the debate over it in the house indicated that the government is proceeding on the premise that unemployment is a permanent problem and not an emergency which, though protracted, will pass away.

The depression cannot be held responsible for the basic problem of unemployment. A revival of trade may alleviate it, but cure it, no.

The truth is that Canada never has succeeded in absorbing its population.

From 1867 to 1933, 6,450,000 immigrants came into this country. Yet the total population increase at the end of that time was only 7,000,000. In sixty-five years we lost almost the equivalent to our entire natural increase during that period.

Even in our most prosperious years there wasn't work for all who wanted it. In the ten years from 1921 to 1931, 1,245,555 people left Canada. Most of them went to the United States to seek work or better themselves.

Between 1914 and 1918 the war took up the slack. Before that there was unemployment. Its effects were not so obvious because those were the days of free land. Men would work for established farmers part of the year and during the remainder work on their homesteads. That phase passed. The supply of easily accessible land diminished. Farmers could not give year-round employment. Workless men flocked to the cities where there were not enough jobs to go round.

On top of all this, throughout the years the advance of science has further complicated the problem. Improved machinery has steadily reduced the amount of labour necessary for the production of any given volume of goods. This trend continues.

In February of this year there were 1,080,831 Canadians receiving direct unemployment relief. That did not include 156,944 farmers receiving aid in the dried-out areas.

How many of the men of fifty and over will ever get work again? Very few. A new generation has come up to take available jobs older men once had. There are 2,000,000 Canadians between sixteen and twenty-one years of age. It seems that the number of employables is increasing faster than the number of jobs. In recent months relief expenditures and employment figures have risen together.

Unemployment must be regarded as a permanent problem.

The main point is that the national unemployment commission is only going to be worth the money spent on it if it is enabled to consider the problem of unemployment in its broader and most far-reaching aspects; if it is encouraged to evolve a definite policy that will, in the course of time, take care of all interlocking social burdens.

It isn't a matter of plugging a leak in a dyke. It is a matter of an entire reconstruction plan.

I am frankly dismayed that there is not greater readiness to engage in the program of reconstruction demanded by this alarming prospect of conditions of permanent unemployment in Canada. The policy of the government contemplates little more than the attempt to stop some of the dykes that have been torn away by unregulated private enterprise. In any event I cannot agree to anything that would in any degree aggravate the distress of those involved. In my opinion the security of our Canadian homes is of infinitely greater importance than the security of special privilege as now maintained by the existing financial structure. In the last analysis there can be but little security or stabilization of the financial system unless it is founded on the security and well-being of the workers. We have reached the point in our affairs where we have discovered that we can produce so abundantly that business cannot prosper unless the masses live abundantly.

If we listen to the voice of private enterprise we learn of an insistence to lower living standards so that relief may not check the downward revision of wages desired. C. H. Carlisle, president of the Dominion Bank, recently declared:

We cannot maintain everyone on relief on a scale of comfort. The vast masses of the people, if kept on a scale of even bare comfort, are not sufficiently inclined to get out and vigorously hunt for work and accept work when it is offered.

This is but one of many statements made recently which quite ignores the realities of the situation, and indicates the ruthlessness

with which private enterprise would abandon any attempt to improve living standards in order to preserve profits and special privilege.

Coupled with such statements we hear the statement often repeated that unemployment might easily be cured if we inaugurated a "back-to-the-land" movement. Little attempt has been made to analyze the magnitude of the drift to the cities, or the impetus given that migration under planless private enterprise. According to a recently published statement of Professor Burton Hurd, in the intercensal decade, 1921-1931, there was a net movement away from rural sections of 440,000 over and above the gains in population through immigration. In the same period occupied farm land increased by 23,000,000 acres, or 16 per cent. Improved land on farms increased by 23,000,000, or 21 per cent. One factor contributing to this movement was the increased use of science and machinery, enabling the farmer to meet the requirements for farm products on the domestic and foreign market with a decreasing proportion of farm population, thus releasing an increasing number for employment elsewhere. It has also been shown that the birth rate is about sixty per cent higher in the country than in the city, and this also supplies an additional reason for the migration to the city. Since 1930 emigration to the south has practically ceased, and this has tended to dam back the accumulating rural surplus, awaiting more favourable employment conditions in the cities. Any back to the land movement of proportions to relieve the unemployment situation would simply add to existing agricultural surpluses, further depress prices, and increase the pressure on excess farm population to seek employment in the cities. It has been proposed that the unemployed in the cities should be settled on the land in such a manner as to enable them merely to produce their own requirements. This means the setting up of a peasant agriculture side by side with modern commercialized farming. It is unjust to expect the unemployed to endure the primitive living conditions imposed, while neighbouring farmers and the workers in nearby cities enjoy the comforts and conveniences of our society. They would quite naturally move back upon any signs of improvement in employment conditions, and therefore the plan has no semblance of permanence. In any event under present conditions it would only be accompanied by a contrary cityward movement which would defeat the purpose of the scheme.

We have depended on private enterprise for a solution of our housing problem. The speculative or profit making element has completely frustrated all our efforts to meet an acute housing shortage and achieve the recovery of our construction industry. It is estimated by those making a close study of the situation that we require an additional 200,000 dwellings in Canada. Based on the figures given by the Bank of Nova Scotia, the accumulated demand for backlog for residential construction resulting from the lack of building since 1931 is now $266,000,000. Only 126 loans have been granted under the housing act of 1935, while under the housing measure of 1919, some 6,250 houses were built. A total of 6,376 houses have been built in Canada as a result of state assistance. In order to compare these results with those achieved in other countries where the state definitely assumed some measure of responsibility for the problem, I should like to refer to a summary in Modern Housing, by Catherine Bauer.

In Holland, with a population of 7,527,000, a total of 450,000 dwellings were constructed during the period of 1919-1928. The total number built with state aid was 250,000, the number built by public authorities, 40,000, and the percentage of population living in state-aided dwellings was 15. In Belgium, with a population of 7,466,000, 250,000 dwellings were constructed during the period 1919-1933. The total number built with official aid was 200,000, the total number built by public utility societies was 70,000, and twelve per cent of the population lived in state-aided dwellings. Denmark, with a population of 772,000, constructed 45,800 dwellings in the period 1920-1929. Thirty-five thousand dwellings were built with state aid, 9,300 by public authorities, and twenty per cent of the population were living in state-aided dwellings. In 280 towns in Sweden with a population of 2,000,000, 129,800 dwellings were constructed in the period 1917-1929. The number built with official aid was 57,400, the number built by public authorities 12,200, and thirteen per cent of the population were living in state-aided dwellings. In five large towns in Norway with a population of 478,000, the total number of dwellings constructed was 16,600. The total number built with official aid was 14,900, and fourteen per cent of the population were living in state-aided dwellings.

In practically all these countries definite provision has been made for slum clearance and the provision of housing for those receiving extremely low incomes. In Canada we must sooner or later face the fact that a large portion of our population receives an income too small to provide itself with a minimum of decent living quarters. We are now committed to a policy of encouraging

building among the higher income groups only, evidently with the intention of providing for the lower income groups with their cast-off houses. This will mean an increase in our slum areas, for eventually the poorer families will be able to secure living accommodation only in structures not fit for human habitation. There is no economic or profitable way of providing decent housing for people who cannot afford decent housing. We will not solve this problem through reliance on profit making private enterprise. No form of trick financing will make decent houses available at rentals the lowest income groups can afford. It is only through a non-profit making state project under social control that this problem can be satisfactorily solved. It has been shown in the experience of other countries that a step in this direction has meant a step towards recovery.

Members of this group have been criticized for suggesting the necessity of fundamental changes in our economic structure. It has been said that change might lead to disorder or chaos. We are as anxious to avert disorder and chaos in Canada as any other group or party. In achieving orderly progress there are certain unalterable principles that must be adhered to, but I know of no principle more definitely established in our world than the principle of constant change. There never was a normal year which could be safely used as a pattern for other years, hence every effort to get back to the norm of past years must fail. If we do not ring out the old and ring in the new, we may be quite certain that events will ring us out. Astronomers can predict with precision to the very minute coming eclipses, because they not only study the location of the stars and the planets, but also where they are going and at what rate of speed. I suggest that we should study our business more in the terms of the changes which modern methods of business are bringing about.

The government policy suggests that the nation's work should be left as far as possible under the control of private enterprise. The evidence shows rather conclusively that the system of private enterprise, with its profit motive, and the institution of property in the means of production, is so poorly adapted to the machine age that it threatens us with disaster. A persistent attempt to maintain a system that has been proven unworkable does not make for orderly progress. Private enterprise produces not for the sake of the product or to serve the ends of human welfare, but solely for the sake of profit. It can only aim at the production and appropriation of profit. Along this line the only possible plan is a plan of greater profits and greater concentration of profits, a plan which necessarily must mean lowered living standards for the working class. While the entire aim of our economic mechanism is directed toward the amassing of a maximum surplus in private hands, this surplus must always defeat any attempt properly to equate production and consumption. Furthermore, private enterprise under modern conditions means the growth of monopolies, which necessarily aim at something less than the good of the entire community. From bitter experience we have learned through the years of the depression that the profits of the few have destroyed the prosperity of the many. We have learned that we cannot achieve a well ordered economy on the basis of conflict between private interests. Unregulated and competitive private enterprise sacrifices the security of one group to the superior privileges of another, and thus does not open the way to an orderly solution of our problems. We can plan for orderly progress only when we decide to establish social control of our economic enterprises and direct those enterprises not for the profits of the few, but for the prosperity of the many.

[Mr. MacNeil.]

Mr. A. MacG. YOUNG (Saskatoon): I should like to join with others in this house in extending congratulations to the Minister of Finance (Mr. Dunning) on the presentation of one of the ablest budgets ever submitted to the parliament and the people of Canada. His method of presenting it left nothing to be desired. I believe that everyone, both in this house and outside, will agree when I say that we have before us a document that challenges our attention. The minister put before us very clearly and carefully a picture of affairs in this great dominion at the present time. That picture was indeed so arresting that I fancy, no matter in what part of the house we sit, we are all compelled to analyze its contents. There is one statement he made which I think is worthy of very strict attention. He said:

> It is not putting it too strongly to say that foreign trade is the very lifeblood of Canada.

I might take that as a text for the first part of the remarks I have to make—it is not putting it too strongly to say that foreign trade is the very lifeblood of Canada. I must congratulate this government on having gone farther and more quickly than any other government in Canada along the line of removing those barriers that stand in the way of increased trade. The first thing we did was to negotiate a reciprocal trade agreement with the United States, and I believe that has

done a great deal to assist the movement of goods north and south over the boundary. It will eventually prove, in my opinion, very beneficial to both countries.

When the leader of the opposition (Mr. Bennett) was speaking the other day he discussed our trade, and in that connection I was reminded of a remark he made on a former occasion, when he said:

For we must commonly agree that there can be no continued sale without purchase.

Now if we once learn that, we are less likely to go astray. He went on, however, to show that the percentage of export trade in Canada during the last year exceeded the percentage of world export trade. He compared it to the year 1929, pointing out that the percentage of export trade in that year was 3·71; in 1930 it had dropped to 3·42; in 1931 to 3·29; in 1932 it was 3·78; in 1933 it was 3·59; in 1934, 3·99, an increase; and in 1935 it was 4·32. He pointed out at the same time that the imports had not quite followed the same trend; they were somewhat lower.

There is something unique about percentages, no matter how they are used. Sometimes percentages do not give a correct picture. I remember once a gentleman said that the increase in the export of horses to another country had gone up by 200 per cent; the previous year one horse went out of the country and the next year three were shipped out, and therefore there had been an increase of 200 per cent. I wish to put on Hansard detailed figures I have here from official sources showing our trade in the five years prior to and including 1930 and in the five years following 1930:

| Exports | |
|---|---|
| Fiscal year: | |
| 1926 | $1,328,700,137 |
| 1927 | 1,267,573,142 |
| 1928 | 1,250,598,034 |
| 1929 | 1,388,896,073 |
| 1930 | 1,144,938,070 |
| 1931 | 817,028,047 |
| 1932 | 587,565,517 |
| 1933 | 480,713,797 |
| 1934 | 585,654,469 |
| 1935 | 667,133,957 |

| Imports | |
|---|---|
| Fiscal year: | |
| 1926 | $ 927,328,732 |
| 1927 | 1,030,892,505 |
| 1928 | 1,108,956,466 |
| 1929 | 1,265,679,091 |
| 1930 | 1,248,273,582 |
| 1931 | 906,612,695 |
| 1932 | 578,503,904 |
| 1933 | 406,383,744 |
| 1934 | 433,798,625 |
| 1935 | 522,416,844 |

| Total Trade | |
|---|---|
| 1926 | $2,256,028,869 |
| 1927 | 2,298,465,647 |
| 1928 | 2,359,554,500 |
| 1929 | 2,654,575,164 |
| 1930 | 2,393,211,652 |
| 1931 | 1,723,640,742 |
| 1932 | 1,166,069,421 |
| 1933 | 887,097,541 |
| 1934 | 1,019,453,094 |
| 1935 | 1,189,550,801 |

In 1930 we had a total trade of $2,393,211,652. In 1931 that had dropped to $1,723,640,742, and by 1933 our total trade had dropped to less than $1,000,000,000, in round figures $887,000,000. By 1935 it had again increased to $1,189,558,801.

I analyzed rather carefully what the leader of the opposition said in discussing our trade figures. He said that the balance of trade had been against this country, and secondly that the unemployment situation was very bad. I quote:

First of all, as has been pointed out in this house very frequently, we raised the tariffs. We certainly did. We raised tariffs in the fall of 1930 at the special session for a very deliberate and definite purpose. These tariffs were for certain given purposes. The purposes I have indicated. They accomplished the purposes for which they were enacted. True, they were emergency tariffs. We made it clear that that was so. True, it was purposed that in the end those tariffs should of course be reduced, but during the emergency.

I have already indicated the two purposes he had in mind, the balancing of trade and the correcting of the unemployment situation. He added:

It is true these measures did not provide employment for all the unemployed in the country. It is true that the numbers of unemployed increased greatly.

With regard to balanced trade, I think we may safely assume that that is a very unsafe factor on which to rely. If we had to do what was actually done our total trade would diminish as it in fact did diminish from $2,393,000,000, in round numbers, to $887,000,000. That is what happened under a policy of that kind, and I am afraid we must conclude that from the standpoint of balancing trade the policy carried out by hon. gentlemen opposite proved very unsatisfactory. And what is even more serious is the fact, which the right hon. gentleman admitted, that unemployment increased very considerably.

My hon. friends opposite say very frequently that they worry about reductions in the tariff by reason of the effect on employment. Their hearts bleed so for those in employment, and they are afraid that there will be less employment in Canada if tariffs are reduced. May I point out however—and

this is admitted by any student of our history —that at any time since confederation when the imports of the country have been greatest unemployment has always been at its lowest level. And the figures I have given very definitely and clearly bear that out.

The right hon. gentleman went on to say:

> We had to make a new treaty with New Zealand, and that treaty has brought about increased trade and has added wealth to both countries.

That statement is true and is worthy of note. We did make a new treaty with New Zealand and that treaty has brought about increased trade and added to the wealth of both countries. He says that the same thing may be true of other countries. That is exactly what does take place. Before we went out of power we had a trade with New Zealand of $35,000,000, $19,000,000 of which we exported to that country, importing from them $16,000,000. But after the policy of my hon. friends opposite had been in force for a short time, that trade was cut seven ways; less than one-seventh of it remained between the two countries. It was less than $5,000,000. The right hon. gentleman said that his government negotiated a new treaty with New Zealand, and I think we were all glad to see that happen. He also said, with regard to this so called excise tax of three per cent which is actually an additional tariff of three per cent, that as far as Great Britain was concerned one and a half per cent had been removed one year and the other one and a half per cent the following year. He went on to say that the previous government made a treaty with France, gave the intermediate tariff to Germany and Austria, and made treaties with Brazil and Poland. The result has been reflected in the figures I have just quoted; in 1933 our total trade was only approximately $887,000,000, while in 1935 it increased to about $1,189,000,000. So apparently hon. gentlemen opposite, who were in power for five years, found that their policies had to be reversed or conditions in this country would not improve.

I have before me some facts with regard to the customs duties paid on goods entering Canada from Great Britain. I could put a great many figures on Hansard, but I have not time for that to-day. On raincoats and trousers suitable for farm wear, coming into this country from Great Britain, the duty was over 55 per cent. On ties coming into Canada from Ireland there was a duty of over 45 per cent. On men's hosiery, both woollen and fine, coming from Great Britain, the customs taxes of one kind or another totalled over 64 per cent. On sweaters and hose used by workmen the actual duty paid was over 69 per cent.

[Mr. Young.]

And yet at one time the right hon. leader of the opposition said:

> For we must commonly agree that there can be no continued sale without purchase; that if we expect to market our goods in the United Kingdom we must expect to purchase goods from the United Kingdom.

I should like to say that a great deal of relief has been afforded by this United States trade agreement. I see on the floor of this chamber a carpet. I have in my hand a bill to which a customs bill is attached, dealing with a carpet imported into Canada from the United States very recently, but before the trade agreement was concluded. The carpet cost $50.07 in the United States, and I find that the total customs duty amounted to $70.06, the sales tax to $7.26 and the excise tax to $3.63, or a grand total of $80.95 on an article costing $50.07 in the United States. If we eliminate the sales tax, though it should not be entirely eliminated, this means that the duty on this carpet amounted to $73.69, or a tariff of over 145 per cent. Even to-day, under the intermediate tariff, we are still paying more than 100 per cent on carpets coming in from the United States.

At this point I should like to congratulate the Minister of Finance (Mr. Dunning) upon reducing the duties on textiles coming into Canada. In my judgment one of the features of the budget worthy of special attention is what has been done in the interests of Canadian consumers in that regard. I have not as yet had time to analyze the changes which are proposed; perhaps I am not capable of analyzing them fully, but as I understand it I think this is a great step in the right direction. Let me say, however, that the figures which I have presented to the house to-day show that we have yet a long distance to go before the tariffs are down to where they should be.

In our part of the country, Mr. Speaker, we cannot benefit by tariffs. We sell on a free trade market, and unless in some way we can first get the opportunity to sell and then be permitted to purchase at reasonable prices we cannot continue to exist. Professor Rogers of Queens university, now our very able Minister of Labour, in his leisure moments figured out that the tariff costs the province of Saskatchewan approximately $26,000,000 annually. To-day in this house we hear men say that certain bonuses, subsidies and all that sort of thing have been given to Saskatchewan recently, and that may be true. I am not one of those who believe in subsidies but I say that under the present set-up it may be necessary to continue that practice although the principle is not sound. We

in Saskatchewan want the right to purchase as freely as possible. Then we shall be able to sell our goods, and make a fair exchange.

I should like to touch on one or two other features of this budget. I congratulate the minister upon what he has done with respect to the duties on agricultural implements. It is vital to us that we obtain these implements at the lowest possible prices. When we came to power there was a duty of 25 per cent, plus this three per cent excise tax, on agricultural implements coming into Canada. Under the trade agreement with the United States, which applies the intermediate tariff to goods of that country, the rate was reduced to 12½ per cent, but just as soon as we came to office we found that the agricultural implement producers actually increased their prices. No man in this chamber can tell me that those prices were increased because of the reduction of duty, and I congratulate the minister upon accepting the challenge of the implement manufacturers by again reducing that tariff, this time to 7½ per cent. But it is not only 7½ per cent; there is also the three per cent excise tax, and if these prices continue at their present levels I suggest that at some subsequent time we should take further action.

The question of automobiles has aroused a great deal of controversy. There is manufactured in Detroit a car which sells wholesale for $518. The retail price of that car to the purchaser in Windsor exceeds the retail price to the consumer in Detroit by $177. To my mind, there is something wrong when an article which can be produced and sold wholesale in Detroit for $518 retails to the purchaser in Canada for $177 more than the retail price in the United States.

Mr. ROWE (Dufferin): Would the hon. member permit a question? How much more do cars cost than they did before the budget was brought down?

Mr. YOUNG: They have increased in price by approximately the amount of the two per cent increase in the sales tax. What I was going to say is that if that industry cannot sell cars in Canada for a smaller differential than there is at the present time, there is still something wrong with regard to our tariff or the industry is not a legitimate one in this country. If the industry cannot do better than that it may be classed as one which is not of any great advantage to this dominion. I would also say to the automobile manufacturers that I think they had better look very carefully over the price lists which they issue for Canadian consumers, otherwise on some subsequent occasion something further may have to be done with regard to the tariff on cars.

I might say the same thing in regard to gasoline. We have this year reduced the tariff on gasoline by one and a half cents a gallon under the Canada-United States trade agreement and the present budget. But I have not noticed that the price of gasoline has gone down accordingly. I trust that the oil companies also will take notice and reduce their prices. I suppose it is not recognized by everyone that where the gasoline manufacturers get their greatest protection is in the differential in the freight rates on crude oil and gasoline brought into this country, a differential of at least five or six cents a gallon. So with this additional one cent a gallon still remaining under the tariff they should take great care to see that the consumers of Canada are not penalized any longer. I might say a great deal more about that, I feel very keenly about some of these matters. I feel that the prices the consumer is paying in this country are too great.

But I want to pass on to the financial picture as I see it. The Minister of Finance clearly pointed out all the details. He did a great service not only to the members of this house but to the whole country in placing before them exactly what has taken place. He showed that last year we had in Canada a deficit of about $162,000,000. That is a very serious matter. If we go back to the year 1914, the total debt of Canada was then $335,000,000. We paid less than three and a half per cent interest, and the total interest on the national debt was less than $13,000,000. That is a striking fact, that the entire debt of Canada from 1867 to 1914 amounted only to $335,000,000, and the interest to less than $13,000,000. After the war that debt rose by 1923 to about $2,400,000,000, and we paid a total yearly interest bill of $140,000,000 in round figures. That is a serious matter. During the past five years the public debt increased by about $800,000,000; perhaps I might be more nearly right if I said $1,000,000,000. The total amount of the debt is now $3,265,287,604. Surely that is something to make every one of us pause and think it over. The Minister of Finance told us that to-day we are paying $134,000,000 interest yearly. For soldiers' pensions we are paying between $40,000,000 and $45,000,000 and other grants and allowances to soldiers bring the amount up to probably $50,000,000. If we put this into percentages, the interest on the debt of Canada last year was 36·19 per cent of the total revenue; European war pensions,

11·19 per cent; care of returned soldiers, 2·9 per cent; a total of 50·28 per cent. These figures go to show that a very large portion of the debt of this country and the interest thereon is due to the war.

Mr. Speaker, I ask this question: From whom did we get that two billion dollars which we borrowed during that war? Am I to be told that in Canada there were men who during the war were actually making money and lending it out at high rates of interest to this country? If not, where did the money come from? Am I to be told further that we at that time—not this government or the former government—issued bonds which were tax free, so that we were not even able to tax those who made profits out of the war on the income from those bonds? Everyone knows that is true. Today that debt has increased until now it is over three billion dollars. I know, we all know, that there is great difficulty in financing not only the dominion but every province of Canada. We see the premiers or the provincial treasurers coming to Ottawa; they came to former finance ministers and they come to the present Finance minister. If I were premier of Saskatchewan or any other province I am not quite sure that I would like to subscribe to the principle of a loan council. On the other hand if I were the Minister of Finance I am not sure that I would like to have all the provinces coming to me and asking for money unless I had some control over them. But we must recognize that all these governments have sovereign authority, if we do not stretch that term too far, the same as the federal government. Surely it is a serious matter if the federal government find it necessary to impose some form of control with regard to what the provinces may do. Personally I think it is serious. But the Minister of Finance cannot be expected to continue to hand out money the way in which it has been going out unless there is some control. Take our own province of Saskatchewan; in 1929 when the Liberals went out of office the debt of Saskatchewan was about $65,000,000. The Conservatives were in power for five years, and at the end of that time that debt had increased to about $160,000,000. For twenty-four years while the Liberals were in power building up that section of the country the total debt amounted to $65,000,000, but in five short years it increased by $95,000,000. The other day I heard the leader of the opposition suggest that he was afraid that some of this money which had been provided by Canada had not been too wisely spent in some of the provinces. I suspected that he was thinking of our own province. When we see that happening there we also see similar things happening in other provinces that are now in financial difficulties.

It is a very serious matter when we consider that there is approximately $10,000,000,000 owned by the people of Canada in the form of either federal, provincial, municipal or private debts. What are we going to do about this? Is there any hon. member who really believes that we are ever going to pay these debts, under the conditions in which we are now living? This country is up on financial stilts; we must at least get one foot on the ground, and begin somewhere. In my humble judgment we must refinance the debt of Canada, federal, provincial, municipal and private. It might surprise the leader of the opposition if he were in the house if I told him that on the platform during the election campaign I gave him the credit, and was proud to give him the credit, for the refinancing which he did, by which he saved some interest to the Canadian people. But I suggested then, and suggest now that what has been done is nothing to what must be done. My suggestion is that we should set up in this country a committee of experts to analyze the situation. There is no man in the house, no man in Canada more proud than I am that we have perhaps one of the ablest Ministers of Finance who have ever occupied that position. I suppose all hon. members are probably a little fed up with what we call royal commissions, but I am going to suggest to the minister that we set up a committee of experts who would analyze the federal, provincial and municipal situations, and would even consider the private debt of the country. After having done that, we must not be afraid to do that thing which in my humble judgment must be done, and will ultimately be done before once again we can get on an even keel.

I do not believe any federal government in Canada should be paying an interest rate higher than two per cent. I do not believe we can continue to do what we are doing. When commercial firms get into difficulties, what do they do? They meet their creditors to make arrangements. In Saskatchewan the Farmers' Creditors Arrangement Act is operating, and we have set up a debt adjustment board. On this occasion I want to pay tribute to the men actually engaged in that work, but they can work only within circumscribed limits. All they are doing is to touch the

hem of the garment, the fringe of the difficulties through which we are passing.

Let us consider the farmers in Saskatchewan. Men come to see me and write me saying, "Doctor, we are losing our equity here; what are we going to do about it?" Let us, for example, take the case of a farmer who has a farm which is worth, let us say, $1,000. His equity amounts to 60 per cent and the mortgage amounts to 40 per cent. Well, if the farmer is a poor one who gets up late in the morning and goes to bed early at night, allows weeds to grow in his fields, and all that sort of thing, there may be no objection to closing out the mortgage and his getting his $400. But we have the other farmer—we have had them for five years—and what is the picture in connection with him? Again the unit is worth $1,000; the equity of the farmer is $600 and the mortgage is $400, but through no fault of the farmer, due to conditions in Canada and perhaps throughout the world, the value of the farm has been squeezed down from $1,000 to about $400, and in that way the farmer has lost all his equity. What we are now doing results merely in preserving the other 40 per cent for the coupon clipper.

In my humble judgment this matter must be given serious consideration, or we shall reach a state where the real owners of this country will be squeezed out of their equities, and we shall have what? We are going to say that all those who loan mortgage money at a high rate of interest shall have their full 100 per cent. In my opinion that sort of thing cannot be permitted to continue. The other day I was proud to hear the leader of the opposition say that this Bank of Canada of ours has done some real good to this dominion. I am a believer in the Bank of Canada. But we have all these institutions privately owned to-day; all money institutions are privately owned. I am proud to say that there is now before the house a measure which will bring control of the central bank into the hands of the government and of the people of Canada. That is a step in the right direction.

I trust I shall not be one charged with saying that you can put faces and figures on pieces of paper to create wealth, because that cannot be done. But while that cannot be done I recognize that we could use the central bank much more than it has been used hitherto for the destruction of debt. There is a great difference between the creation of wealth and the destruction of debt. I look forward with pleasure to the time when we shall have that institution under our own control. I do not wish to do anything that is foolish; I am not one who believes in wrecking institutions. I recognize full well that Canadian insurance companies hold a large amount of Dominion of Canada bonds; I recognize full well, too, that we could absolutely wreck the insurance policies held by our people if we were to take foolish action. I am advocating nothing of the kind, but I do suggest once more that we should have a committee of experts to inquire into the whole situation to see in what way we can best revalue, reassess and refinance the whole debt structure of Canada, and at the same time not do violence to any interest therein concerned.

To me this matter is so serious that it must be given consideration. I recognize that the government cannot do everything in one year. I am not asking that everything be done in one year, but I suggest that the time has come when we must give full consideration to a matter of vital importance not only to the farmer who owns his farm or the business man who owns his business, but to those men who are interested in the other angle, namely those who loaned the money. I do not know how far the government is prepared to go, but I suggest that the matter is of such vital importance that it should be thoroughly investigated, because our farmers and business people cannot continue to do what they have been doing. They must not be permitted to suffer as they have been suffering. If we permit this to go on, the last condition will be worse than the first.

I close with a few words concerning the Canadian National Railways. One point which strikes me as being very interesting—I am arrested by it all the time—is that men within and without the house paint a horrible picture of the Canadian National Railway situation. A few days ago the leader of the opposition said that the net loss for one year amounted to $115,281,689.79. That figure, as he stated it, is to be found in the annual report of the Canadian National Railways, under the heading of profit and loss. But in the same document there is another statement showing that the cash deficits of the Canadian National Railways last year amounted to $47,000,000. How is the right hon. gentleman's figure arrived at? It is arrived at by writing off abnormal retirements to the tune of $29,000,000 last year and in addition about $35,000,000 is charged up for interest due the government covering not only last year but an accumulation for many years. Some of the charges go back almost to confederation.

Therefore I say that when a statement of that kind is made in a profit and loss account

it does not give a proper picture of the situation. The hon. member for Mount Royal (Mr. Walsh) not long ago said in this house —and I take it he was enunciating the policy of the Conservative party—that they were not in favour of amalgamation, and that they did not like that term. I am not surprised that they do not like the term. But he did say that they were in favour of unification. I asked what unification meant and he said that it was retaining two entities under one management. He did not go to the extent of saying what management, but contented himself by recommending one management. Perhaps I may assume that he intended to say that all the railways of Canada should come under Canadian National Railways. He is not in his seat to-day, but if he were I would ask him if that is what he meant, and this further question: Does he believe that the Canadian Pacific Railway, which is well managed, would be satisfied to turn over all its assets to and be managed by the management of the Canadian National Railways? I am inclined to think there might be some difficulty about that. Let us put it the other way about: Is the suggestion this, that the management for both railways shall be that of the Canadian Pacific Railway? I am inclined to think that something would be said by the people of Canada if we turned over all our assets in the Canadian National Railways to be managed by the Canadian Pacific Railway.

Unification will do what? Under one management, either one or the other, what would we have? Just let that condition exist for five years and, while I have a great respect for cooks, I defy any cook to unscramble scrambled eggs. We would have both railways before us, and certainly an amalgamation, and we could never unscramble it again. I am opposed to amalgamation. I believe it is bad business to have a monopoly of the kind that such a railway monopoly would be. When we hear men inside this house and out of it painting a horrible picture of the Canadian National Railways, let me say that in my humble judgment this is done for one purpose and one only, to try to scare the people of Canada to the extent that they may be willing to submit to a plan which will bring about the greatest monopoly this country has ever had. That monopoly cannot be permitted to come. I am not so hopeless as some are about the Canadian National Railways. I am not so hopeless as some are about the general condition of Canada. We are living in a great country, a country with unbounded resources. All we require to do is to get down to better principles and better practice, and then with the splendid natural resources and man power we have there is no doubt at all that this dominion is going to come out of the depression through which we are passing, and when that time comes, the Canadian National Railways, which has been maligned from coast to coast by some, may become one of our greatest assets.



Where is that railway located? It is located chiefly in the northern parts of Canada, in that part of the country where in the future will be found the greatest development, and as that development takes place we shall find that the Canadian National Railways will become more and more a valuable asset. Let us not lose faith in Canada; let us not lose hope. We have a country of immense possibilities, with unbounded resources, and as one who has passed a great many years in this dominion I feel that the end of this depression is going to come about and that we shall once more enter upon a reign of prosperity similar to what we had before.

There is one other thing that I should like to say. What are we passing on to the youth of this country?

Mr. SPEAKER: I am sorry, but the hon. gentleman's time is exhausted.

Mr. D. J. HARTIGAN (Cape Breton South): Mr. Speaker, in rising to make a few comments on the budget I wish like other hon. members to take this opportunity of congratulating the Minister of Finance (Mr. Dunning) upon his able presentation of the annual statement. The clear and concise manner in which he gave the facts and figures pertaining to the debt of Canada and what he proposed doing about it, and the expenditures which we shall be called upon to make for the ensuing year, I am sure must have been enlightening to us all. The able grasp which the minister showed of his subject leads us to hope that within a year or so we shall be well on our way to recovery.

I should like also to take this opportunity of associating myself with the miners of Nova Scotia who made the heroic rescue of Doctor Robertson and Mr. Scadding at the Moose River mine a few short weeks ago. Like everybody else in the country I felt proud of what those miners did. They wrote what I believe will go down as an epic in the history of mining all over the world. I would point out, however, that accidents of a like nature and even great catastrophes are not uncommon in Nova Scotia or in any other province where mining is carried on as a major operation. It is not unusual for us in Nova Scotia to have numerous deaths in the mines. I myself know of one catastrophe in which through a mine

explosion seventy-six men lost their lives on one level, only one man out of seventy-seven coming out alive. I am not saying that at all in derogation of what the brave miners did in rescuing Doctor Robertson and Mr. Scadding at Moose River, and I should like to congratulate these two gentlemen on their fortitude and their great nerve control under such trying conditions. I should like also to condole with Mrs. Magill. I think we can look upon the action of the miners at Moose River as typical of the actions of all miners throughout Canada. Take them as a pattern of the miners throughout our whole country, protagonists in the reign of right over might. That is how I feel those miners would wish their actions to be construed. If we wish to measure accurately the deed they performed, we must study their background, the conditions under which they lived during this period of time, to use a term which seems to have endeared itself to the leader of the opposition (Mr. Bennett) in this house. Ever since the late government came into power in 1930 the miners of Nova Scotia, yes, and of eastern Canada—I represent about one-third of the total number of bituminous coal miners in the Dominion of Canada—have been working on short time, their wages hardly, if at all sufficient to meet their ordinary expenses and enable them to keep their families in good condition and get sufficient of this world's goods to give them a decent living. It was under such conditions that those men displayed such fortitude, such courage and such persistence, without any thought of pay, because pay was not in their minds at all when they attempted the rescue. They had made up their minds to rescue those entombed men, whether dead or living. That was the motive behind their efforts and their tenacity of purpose. Somebody needed succour, and they were going to go through and rescue those men dead or alive in spite of every obstacle which might be imposed by man or nature.

I do not wish to be considered parochial, and I am not talking, I assure you, Mr. Speaker, for the benefit of the constituents back home, but there has been so much talk in this house on the budget and on various other matters, some academic, some problematical, and some prophetic—you would think some hon. gentlemen were possessed of occult powers the way they can tell us what is going to happen in the future—that to-day I would like to bring to the attention of the government and of Canada the condition in which our coal miners have been existing during the past five years especially. I assure you, Mr. Speaker, that I shall not trespass on the generosity of the house by dwelling too long on the subject of the coal miners. They are a unit in our national life; they are nationals. The first duty of Canada or of any other country is to protect its nationals. That is why we have embassies and protective systems. The miners of Canada are nationals of Canada, and under the British North America Act they have rights and privileges just the same as any other group. We want no more than what is our due, but we expect no less.

Our total imports of coal amount to 13,000,000 tons and we mine a total of 6,500,000 tons in our eastern provinces. Under these conditions there is no excuse for any one of the 30,000 miners to have to go hungry or without the necessities of life. There is something wrong in our national make-up when the people of Canada are ready to tolerate such conditions in one of our basic industries. You cannot blame the miner if at times he is driven to wondering whether there is any equity or fairness in the government when such conditions of affairs are allowed to persist. We import a total of 13,000,000 tons of coal, but when these miners come to Ottawa or to any other source of authority in an effort to expand their trade, they are met with the answer that it is economically not feasible. If it is not economically feasible to sell our coal in Canada, is it economically feasible to permit a group of nationals to exist on one day's work per week, as has been the case for the last number of years?

This is what is happening and yet government ships are bunkered with imported coal. The Canadian National Railways, our own railway system, a system which should be working in the interests of the people of Canada, is actually working coal mines in the United States. The coal miners in Nova Scotia or in Canada have no objection to the coal mined in the United States being used on the American lines of our system, but they have a definite objection to the use of American or other imported coal on the Canadian lines. I do not think one can find either equity or justice in the procedure followed. However I do not propose to go into this question to such an extent as to burden the house with a lot of figures. I always say that figures are tiresome. I shall endeavour to deal with conditions as they exist to-day.

The manner in which the Canadian National Railways has been managed for the last number of years is responsible to a very large extent for the situation prevailing to-day in the coal trade of Nova Scotia. Our markets in Ontario have been extended to

some degree and I appeal to the people of that province to use the coal mined in eastern Canada. There was a time when we did not have to appeal to the people to use our coal. During the period of the war transports were coaling at Sydney, Halifax and other points for overseas. There is no doubt that the quality of our coal is good. It has made good under the most severe stress and strain. But our bunker trade has gone and we are looking for additional markets. Salesmen of various fuels talk about the quality of their products. You will hear it said that American fuel has more heating units, has a higher fusion point, has more carbon and less ash than Canadian fuel, but that is all bunk. Nova Scotia coal has been tested out in the liners sailing the Atlantic and other seas and there is no doubt in the mind of anyone that it will stand up.

I should like to refer to the diabolical ingenuity with which the Canadian National Railways have constructed for their engines stokers which will use only American or other foreign coal. This is not fair to the coal miners of Canada. I shall not deal with the Canadian Pacific Railway at present, but at another time I should like to go into the question of the Canadian Pacific aids to the industries of this dominion, especially to the coal trade. It does not speak very well for the ingenuity of our mechanics when they cannot construct a stoker to be used on the engines of the Canadian National Railways or any other railway capable of using Canadian fuel. We are told that only a certain type of fuel can be used for high speed engines, but I contend that any fuel is suitable provided it can keep up steam to the required point. After all, steam is all that is required to drive the pistons of an engine, so the argument falls flat. When we take into consideration the installation of these stokers we are faced with the problem of whether or not the Canadian National Railways have been managed along unpatriotic lines during the past four years. I do not like to say this, but the fact is that they are tending to subversive usages, as far as Canadian fuel is concerned.

The miners of Canada are not radical. They are not labouring under any delusions or illusions; they are practical, hard-working people. This has been shown on every occasion when the need arose. In our end of the country a certain movement has taken root very rapidly among the mining population. Credit unions have now reached the stage where they have approximately $175,000 in their funds. A total of approximately $200,000 has been loaned out without the loss of one dollar. This goes to show that these people must be pretty honest and straightforward when such a large amount of loans can be made without a loss. They also have their cooperative stores.

The credit union movement as carried on in Nova Scotia flourishes very often even in places where there is abject poverty, because after all there are very few of us who do not spend a few dollars, or at any rate some cents, foolishly. When that money is put to one side by a number of people it is surprising how rapidly it increases, so that to-day they have roughly about $175,000 saved up over a period of years. That union is sure to spread to other provinces; it is more than a parochial movement; as soon as it comes into contact with the next parish or county it establishes itself. It is something that is worth considering seriously, and in the next five or perhaps ten years it will be an institution to be reckoned with. It is sponsored by the university and its ramifications are well known.

We in Canada have paid handsomely for a number of years for the maintenance of a research organization in Ottawa—a federal research council—and I am bound to say that so far as we are concerned the research that has been devoted to our coal has not amounted to very much in the way of returns to the pockets of the workers or in the affording of work to miners in Nova Scotia or in any other province. If our research bureau cannot do any better than it has done with our coal, so as to make it less obnoxious from the point of view of smoke, then the sooner we have other men who are capable of carrying on research that will attain that end the better for us and for the miners of Canada.

Mining is really the life-blood of Nova Scotia; indirectly it supports one-fifth of the population, and it is vital to the people of Nova Scotia, New Brunswick, Saskatchewan, Alberta and British Columbia whether progress is made in the use of our fuel. If we want to find a solution for the problem that faces us in connection with the contraction that has taken place in the coal industry in the past four years, we must look to the Canadian people as a whole; they must be encouraged and induced to use Canadian fuel. We appeal to them to use it and we do so with justification. The miners are fellow-Canadians, and the more Canadian fuel that is used the more purchasing power will be given to the people of Canada. We are importing some 13,000,000 tons of American and foreign coal, and if we could get one-half of that it would mean $60,000,000 to $80,000,000 of additional pur-

chasing power in the hands of the Canadian people. What would that mean to Ontario and Quebec? The people of Nova Scotia and New Brunswick are large buyers of goods manufactured in Ontario and Quebec. All our beef comes from the western plains. Owing to his arduous labour the miner must have the best meat to sustain his strength so that he may continue unimpaired in the strenuous toil from which he makes his living, and as I say we get all our beef from western Canada. We buy all our clothing from Ontario and Quebec, and we get a good many other manufactured articles produced in the great province of Ontario. Look at a shovel in any house in Nova Scotia and you are sure to find on the back of it, "Steel Company of Canada." We do not manufacture smallwares in Canada although we have large steel works and many coal mines.

Our coal mines have undergone great contraction. There is one in my constituency—this is no exaggeration—where half the men have been unemployed for some considerable time. These men get on the train at noon, the workmen's train, which takes them seven miles to work because their own coal mines are closed. They go down in the three o'clock shift and they come up at eleven o'clock. It is two or two-thirty in the morning before the workmen's train brings them back again. To make matters worse they work only one day or perhaps two, and in the winter they are very fortunate if they get one day's work a week. That state of affairs should not exist. It is not as if we were looking for an artificial market; the market is there, as evidenced by the fact that 13,000,000 tons of coal are imported into Canada. We are not asking for the creation of an artificial market. Subventions are granted to aid coal going into eastern Ontario and that is all right as far as it goes; it is a palliative. But that does not fill all the requirements to enable the coal miners of Nova Scotia, New Brunswick and other provinces to get on their feet, pay their debts and have something over for the education of their children and to provide their families with the ordinary comforts of everyday life such as we have in Canada. As I say, we have those subventions, roughly about $1,240,000, and in this house we have seen estimates amounting to $1,840,000 for a superannuation fund for employees who, mind you, are in sheltered employment. The miners are not in any sheltered employment and they have nothing to leave to their families if death strikes as it often does when a rock falls or a man is crushed by a car. When this happens the miner's children are left fatherless. When he goes to work they do not know whether he will come back to them at night. Yet we talk about a miserable subvention of $1,200,000. I say that subvention should not be necessary if the rates on the Canadian National Railways were so regulated as to help the movement of goods from east to west. As it is now, the preponderance of assistance is in the movement of goods from west to east.



At six o'clock the house took recess.

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## After Recess

The house resumed at eight o'clock.

## PRIVATE BILL

### THOUSAND ISLANDS BRIDGE COMPANY

Hon. H. A. STEWART (Leeds) moved the second reading of Bill No. 59, respecting Thousand Islands Bridge Company.

Mr. CHEVRIER (Stormont): Will the hon. gentleman explain the purport of the bill?

Mr. STEWART: Mr. Speaker, the object of this bill is to make two minor amendments to the act incorporating the Thousand Islands Bridge Company. That act authorized the company to enter into an agreement of amalgamation or cooperation with a company in the United States, but it did not contain a provision authorizing the company to enter into an agreement with a government authority. The state of New York has constituted an organization known as the Thousand Islands Bridge Commission, and it will be necessary to amend the act to authorize the Canadian company to enter into an agreement with this corporation which has been constituted by the state of New York. There is another minor amendment to the bill providing for an extension of time and there are sections added to the bill which are applicable to this corporation that has been formed by the state of New York. These are minor amendments. They have been approved, I am informed, by both the state of New York and the province of Ontario. In the ordinary course the bill would go to the private bills committee for consideration.

Mr. CHEVRIER (Stormont): If I am in order I should like to ask the hon. gentleman one or two questions. Has the consent of the governor in council been obtained as far as the Canadian side of the bridge is concerned?

Mr. STEWART: I am informed by the legal gentlemen in charge of this matter that approval of the plans has been granted by the government of Canada.

Mr. CHEVRIER (Stormont): Does the hon. gentleman know the date when that approval was given?

Mr. STEWART: No.

Mr. HOWE: I should like to ask one question. Is there any change in the terms under which the deposit is made by the bridge company with the Canadian government?

Mr. STEWART: No, the deposit is still required.

Mr. HOWE: Is there any change in the terms?

Mr. STEWART: Yes, there is some change in the terms.

Motion agreed to and bill read the second time.

## CRIMINAL CODE

### PENALTIES FOR INFRACTIONS OF MOTOR VEHICLE REGULATIONS

Mr. T. L. CHURCH (Broadview) moved the second reading of Bill No. 57, to amend the criminal code.

He said: Mr. Speaker, I arranged with the Minister of Justice (Mr. Lapointe) last Friday that this bill should be gone on with to-night. To me it is one of the most important bills with which we have to deal. When you think that between now and next Christmas over three thousand more people in the city from which I come, more than ten times as many as would be required to fill up all these seats, will have suffered injury in automobile accidents and about 50 more killed, I am sure you will agree that this is a bill which should be considered. I should have preferred to introduce this subject by means of a separate resolution, as I did last session. At the beginning of this session in the house here I suggested that a committee of both houses of parliament should deal with this problem, but I was unable to get the matter before the house in any way other than this. This matter is far more important than any resolution in the budget, since it concerns the life and death of the people on our highways. In every constituency of Canada people are being slaughtered in this way; men, women and innocent children are being injured and killed, and the House of Commons does nothing about it. They can talk about Mr. Sage; they can waste time deciding who should be the ten men to constitute the House of Commons Follies for 1936, but they cannot give consideration to this bill which deals with such an important matter.



According to the rules of the house, on the motion for second reading I cannot take up the bill clause by clause, but I can discuss only the principle of the bill and the necessity for it. Is the present law adequate to protect the public at level crossings and on highways? That is the principle of the bill. If the bill reaches committee I will explain every clause contained in it or later seek to add it all to any government bill. The first section refers to level crossings, and I should like to remind the house that only a few weeks ago five people were killed on a level crossing at Delhi, and not so very long ago four people were killed at Whitby while returning from a hockey match. I seek to have the law of Quebec in regard to motor vehicles being compelled to come to a full stop at level crossings made to apply all over Canada.

I wish at this time to deal only with the principle of the bill, because if the house agrees to the principle we may do what should have been done long ago. Canada is lagging far behind the times in connection with this work. We are the only country in which something has not been done to protect the public. Long ago we should have had a committee of both houses of parliament studying this problem. Why, Mr. Speaker, you might be knocked down on the street to-morrow and be unable to preside over the sittings of this house again. There are 245 members of this House of Commons. In 1934 the number of those killed in automobile accidents in Canada would be sufficient to fill all the seats of this chamber four or five times over, and that is the result of the failure of parliament to deal with this question.

This matter was discussed by the house for a whole day last year, and everyone agreed from all sections of the house that something should be done. That debate will be found in Hansard for February 13 of last year, at page 786. This bill is not a criticism of the motorists, ninety-five per cent of whom are usually careful. I own a car, though I do not drive; I should like to live a while longer, and that is why I do not drive. Ninety-five per cent of the people who drive automobiles try to obey the law, but facts are facts and we must face them. These death cars are on every highway, and with the exception of a few newspapers no one does anything about it. In my opinion transportation in Canada should be a means to an end and not, as is becoming fashionable in this country.

an end in itself. Everyone has the speed fever in this country. One of Ontario's ablest judges, the late Chief Justice R. M. Meredith, addressing the grand jury at the assizes in London more than seven or eight years ago, said:

> And as now nearly everyone is a car owner and car driver, young and old of all sorts and conditions, it is difficult to get justice in even a civil action. Car-driver-jurors have nearly all the speed fever; and self-preservation instincts are so strong that they will not be persuaded to decide against drivers who have been no more unlawful than they themselves often, if not commonly, are.
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> What then is the remedy? I think it should be: make the laws plain and reasonably severe and enforce them; and cancel licences freely.

Since that time parliament interfered in 1930, and now no one can tell what the law is. I have read three or four presentments of the grand jury of the county of York at the assizes. It is impossible to convict men of manslaughter or criminal negligence owing to the loopholes made in the criminal code by that statute. As Mr. Justice Meredith said, everyone has the speed fever. He might have added, except the House of Commons. We ought to have been through here long ago. If the statute of limitations were amended to provide that parliament could sit for only four months, we might get some relief from large sessions, no one but a millionaire will be able to afford to belong to parliament. The senate is exempt from this statement; they do not suffer from the speed fever, except in the last days of the session.

It would be misleading and mischievous to attribute all blame for the present state of road traffic, with all its ghastly horrors, to those who drive and use motor vehicles. But it is beyond dispute that they have a very large portion to their discredit. This small minority of drivers appear to have exploited for their pleasure or profit the generous tolerance of others in a very irresponsible, callous and appallingly cruel manner. Their fault is grievous and they can have no ground for complaint if they are put under restraint. Ignorance and thoughtlessness are but small palliation. Obedience is the only reparation they can make; it is very long overdue. Last year I brought this matter to the attention of the house and I said it is one of Canada's greatest scandals; so it is, this daily slaughter of men, women and children, and one of the worst features is the absolute public indifference. I find it hard to explain this indifference. The church, the pulpit, the general public and legislative bodies take it all as a matter of course and form and toss it aside, while public officials and legislators go out and collect a few statistics about it, and the net result of their effort does not lessen the slaughter; it leads to nothing but a shameful and glorious fiasco. The highway department collects statistics but the slaughter still goes on. The press with a few notable exceptions say nothing about it, but devote pages to reports of a selection of ten handsome men here, a House of Commons Follies of 1936 with a star cast, making out of this House of Commons a house of nonsense.

People of sober thought in this country are becoming fed up with all this. The other day I attended the funeral of a great newspaper man, Harry W. Anderson, one of the greatest men this country has produced, and before attending that funeral I attended the funeral of a man killed in the riding represented by the hon. member for Greenwood (Mr. Massey). The breadwinner was taken from a family of five small children, and I promised the widow that I would bring this matter once more to the attention of the house. The fact that two hon. ladies are in this house does not mean that they represent all the women of this country; they do not. I represent the women of my constituency. They are the people who are suffering, and they are fifty per cent of the voters of the country. They know what it is to lose the breadwinner and be put out on the street with a family of small children, and they are crying out to this house against this reckless slaughter. Let us cease being a house of follies and do something to protect the long-suffering public of this dominion who are being massacred and slaughtered on the highways. The past few years have shown the decay of parliament, as we see in the way this question is being dealt with. In the death of our people we are reaping the result of this inaction. If the invader were at our gates we would mobilize our whole effort to defeat him, yet in Canada a most shocking and un-Christian slaughter and legalized murder go on day and night, winter and summer, a carnage that is worse than war, that stains red all the main roads of this, a civilized country, and the world goes on just the same as ever.

The abuse of the motor car is one of the unpardonable sins of the age; it is a real menace to organized society in Canada to-day. If a baffling disease were taking the toll of life exacted on our highways day by day science would know no rest until a remedy was found. Great Britain and the United States are waging war against this slaughter. Mayor LaGuardia of New York has had a committee appointed; they are getting results, but we are not. The privation and sorrow,

broken lives and shattered homes resulting from this holocaust are terrible to contemplate. The abominable and domineering indifference of some drivers of motor cars to the convenience of others is hard to explain. There are three features which appear to be predominant in the conduct of motor traffic, namely, a domineering indifference to the convenience of others, excessive speed and congestion. Ever since man learned to mount and direct a machine more powerful than himself he has asserted his superiority of force over his neighbours. "Make way or take the consequences" has been his instinctive cry, and he has gone on his way largely indifferent to their admiration, tolerance or resentment. Nearly every motor driver, if he be honest with himself, must agree that when he drives he is imbued with that same primitive instinct to assert his superiority to demand the right of way and freedom to progress as rapidly as he thinks necessary. One of independent mind cannot but think that the condition of motor traffic on our highways is just as discreditable to Canada as was the effect of prohibition in the United States, where the law was just laughed at. We must examine the problem with an open mind to get the truth, no matter how distasteful it may be. Thou shalt do no murder; Thou shalt not kill; that is the law of God. Our duty to our neighbour is also involved, as well as selfishness, one of the worst defects of human nature. Pope says, "Worth makes the man." Human life should be sacred on the highways; yet many men of real worth, by selfishness and carelessness violate the laws of God and man and send many men, women and children to their graves. The paths of glory lead but to the grave in this daily slaughter.

There is no invention that has contributed more to the education, pleasure and enjoyment of the people than the motor car, but its use is one thing, its abuse another. Like other inventions of science, medicine, the arts and discoveries in physics, pathology, chemistry, biochemistry, preventive medicine and trade and commerce, the right use of inventions has been a boon and a blessing to humanity, but the motor car has also been a curse, like the use of gas in war. It involves awful misery and suffering, sorrow and pain, equal only to that of plague, pestilence and famine, battle, murder and sudden death. The abuse of the motor car is one of the unpardonable sins of this age and is a real menace to organized society in a so-called Christian country. Widows and orphans are crying out to us in the House of Commons in their agony for relief. Are we going to do our duty? In every constituency represented in this house poor people are being legally murdered. I may say that men, women and children have been killed, and the dependents of many of those men and women have not been provided for. I myself have seen some of them suffering. For this reason I think women should be on the jury; they should comprise a third of it. They have equal rights; they are voters; they can be members of the senate or of the House of Commons. They cannot sit on the bench, but probably if they were permitted to sit on the bench a great many of these reckless drivers would not get off as easily as they do. I can say that at least fifty per cent of women are voters, and they should be permitted to sit on juries so that cases might be properly considered and digested. I admit that pedestrians on the highways are careless and reckless; of course they are. The causes of accidents would run about fifty per cent for drivers and fifty per cent for pedestrians.

This bill contains no criticism of the driver of the motor car, nor of the motor car owner, ninety-five per cent of whom are law-abiding at heart. I limit it to five per cent of those drivers. Some of the jurors are so soft when they consider the cases of drivers that they are almost at the point where they present a gold watch and an illuminated address to the accused. All the world, with the exception of Canada, is considering this matter. President Roosevelt has appointed a committee under secretaries Wallace and Moore to make a study of the matter, and Great Britain has done likewise. It is making a study of the problem, especially the psychological aspect. Psychological principles may be discovered there which will have a worldwide application. Last year on the roads of Great Britain 6,521 men, women and children were killed by violence, and in addition 219,000 were hurt or maimed for life. This number, in one year, is 500 less than Canada's total casualties in her part in the great war. In Canada in 1934, 1,106 were killed and last year 1,316 were killed. In the Netherlands, a small country, 744 were killed and 14,900 injured. In the United States 36,000 were killed, hurled to death and 954,000 were injured.

The public puts up with this slaughter, this economic waste of man power, wages and disasters, some of which plunge whole nations into mourning and sorrow. Hon. members will recall the Moose River tragedy. The men who were trapped in the mine suffered horror and tribulation. Look at the amount of space

given to that tragedy in the newspapers. On that occasion there were three men whose lives were endangered, but in this instance tens of thousands of people are killed and injured in this and every other country in the world, and in Canada nothing is done about it, except to talk. The attitude of the public is appalling.

In my opinion there should be an investigation into the matter, and a committee of the house or both houses should be appointed. If the bill reaches the committee stage I will give reasons for that section of it which deals with the functions of judge and jury and I will cite cases showing what has been done, notably a case which has been much criticized in the Toronto district. In that instance repairs were being made on a roadway; thirty or forty lights were on the works, stretching out nearly a quarter of a mile. The repairs were being made at night. A motorist drove through at a reckless rate of speed causing great damage, but the case was taken to the jury. Functions of judge and jury are set out in the bill. The measure does not seek to interfere with the primary functions of judge and jury but seeks only to interpret the law and to untangle difficulties in connection therewith. Some grand juries have been asking for this very amendment.

The present state of affairs on roads in Canada built at great expense by the taxpayers is not creditable to the people of our country. The pedestrian has been altogether forgotten. We must remember that, under common and civil law, he has rights on the highways, equal to those of the motor. From time immemorial he was compelled illegally to make way for the mounted man, and he did so for his own safety. Let us contrast that unsportsmanlike conduct with the customs of the sea. Seamen, on account of their continued conflict with the forces of nature, are more broadminded and tolerant than are landlubbers. The seafarers' rule is that the strong shall give way to the weak, and the swift to the slow. The rule of the road on land is just the opposite: Make way, or take the consequences. There is no doubt that all road accidents are avoidable. Why are they not all avoided? Because the pedestrian is unorganized; he is one of an unorganized and helpless body.

The poor pedestrian, however, is in the majority. In Canada it seems to me that we are always thinking of the rights of minorities. True, the history of the world is the history of minorities, and the history of this country is one of compromises. Pedestrians and others who are the majorities have been slaughtered in this way because they are unorganized and helpless and have no rights despite the fact that they are voters. No one has any interest in them, even their rights in this parliament. No one does anything to prevent their injury and slaughter, whereas the rich and well organized motor industry takes care of its own interests in the legislative halls of the country and by press publicity.

While we sit here the slaughter is going on night and day, causing a dreadful loss of life. The number killed in Toronto last year would form a line two deep from here half way to the union station. In 1934 there were more people killed and wounded in England and Wales than in the Boer war. In nearly three years fighting in South Africa 5,744 were killed and 22,829 were wounded. In 1934, 5,855 were killed and 159,257 were injured on the roads of England. In ten years the number killed has doubled and the number injured trebled. In the same period of years only eight people were killed and sixty-three wounded on British railways. Only a few people have been killed or wounded on our railways.

There has been a clamour by certain sections of the press against uneconomic roads, and the stopping of public expenditures for the benefit of the motor, thereby relieving the pressure of deficits on the railways. The beauty of the countryside is being destroyed, and these expenditures are being made. I am not opposed to good roads; as I said the other day, I was the author of a recommendation and development of fifteen miles of good roads outside the city of Toronto. The Toronto good roads program of 1907 was an example for the rest of Canada.

If the country can take such an interest, and quite properly so, in three men trapped in a mine, how is it that every year thousands of people can be placed in a cemetery, and tens of thousands injured, without much being said about it or any public interest whatever. Hardly a word is said in this house or out of it about this terrible loss. The public is utterly indifferent; it is impossible to get anything done. In the present year the score in the city of Toronto to date is this: Dead, twelve; fifteen surgeons called in to treat fifteen people there severely injured on the streets of the city on one day, Sunday; hurt, 943. That means in a little over four months nearly 1,000 people have been killed or wounded by motor cars in our city. The figures go on to show that there were twenty-nine drivers gaoled. The totals for 1935 are these: Dead, fifty; hurt, 3,087; drivers gaoled, 151.

The minister has shown a great deal of interest in this matter. Last session while dealing with my motion, the then Prime

Minister (Mr. Bennett) gave his support to the appointment of a committee of both houses to go into this problem. He has taken a great deal of interest not only in public health measures, but in matters relating to hospitals and medicine. Last year he told me in the house he would give me a committee, but that was rather late in the session and I did not have an opportunity to attend to it. The matter should be dealt with in the criminal code and should apply to all provinces, because whether a man is killed by a burglar's pistol shot or by a motor car makes very little difference, because he dies anyway.

At common law all the king's subjects, including drivers of any kind of vehicle, had a lawful right to travel upon and use every part of the highway, and a cause of action arose only when one used the highway in an unreasonable or careless way, or in a way causing damage or loss to another. The liability of the owner or driver of a motor vehicle is not new law but is based upon admiralty law and the general common law respecting negligence, and includes all cases of injury by any other sort of traffic on the highway. Mr. Justice Hodgins said in 1926 in the Yellow Cab case—Volume 59, Ontario Law Reports, 1926,—referring to the motor statute:

> That statute is really a collection of duties and obligations imposed upon drivers and others, based on the use and operation of motors on highways for which owners of cars are made responsible. It is not intended to be exhaustive as to all other liabilities which arise at common law or otherwise due to the negligence of a servant who is in charge.

The common law right of an action for damages has been replaced in motor accidents by an action under the act for negligence of a definite kind, and the owner or driver is liable for damages because of that negligence. The common law regarding the use of highways goes back to ancient times. The law on motor vehicles commenced in 1903 with 3 Edward VII, chapter 27, as amended in 1905 and almost every year since.

I have dealt with the principle of the bill, Mr. Speaker, and coupling what I have said to-night with the debate which took place in the house last year, you cannot blame me for feeling a little aggrieved. I was chairman of the board of police commissioners in Toronto for several years, and I saw these deaths occur by hundreds, yes, and injured by thousands, but it was almost impossible to get anything done to prevent them. I have great sympathy with anyone who is suffering, and I appeal to the two lady members of this house to support this bill. I have seen men, women and children, injured in motor car accidents, carried away in ambulances, and it is my duty to bring this matter to the attention of the house as I did last year. I do not blame any member of the house particularly, because this is a new parliament and hon. members may not have had an opportunity of bringing the matter up. I do hope that something will be done to stop this slaughter.

I notice that one of the motor league men in Toronto is opposing this bill. Of course they will oppose this bill, just as when I was on the board of police commissioners in Toronto some people opposed the erection of traffic lights and the making of stop streets in the city. They said it was ridiculous to compel a motorist to stop at an intersection, and all that kind of thing. Everybody knows the accidents that have been caused, for instance, at level crossings, and if every driver were careful there would be no necessity for a law such as this, but it is our duty to guard the people of this country against reckless drivers. Only a few days ago at Mimico four young fellows were driving at sixty miles an hour and all four of them were killed. In another case in the police courts there in the county a driver was clocked going at ninety miles an hour up Yonge street, and another was doing seventy-five miles an hour on Yonge street. What chance have women and children with drivers like those on the roads? Have pedestrians no rights on the highways for the upkeep of which all the people pay?

Children playing on the street are the most frequent single cause of pedestrian accidents. Then comes accidents from children darting from behind a parked car or crossing the street between intersections. We should recognize that the automobile driver has some rights and see that children and everybody else cross only at intersections, instead of doing all this jay-walking. As I said at the outset, pedestrians themselves are very largely to blame for many of these accidents. When one considers the lot of the pedestrian, he has been from time immemorial looked upon as of an inferior order, and the only safe place when we see some drivers coming down our highways is to climb up on the bank, keep out of the way and give the reckless driver the right of way.

This bill may not be perfect, but it is the only way in which I can bring the matter before the house at this session. By the law of New York, motor buses are compelled to stop and throw open their doors when they come to level crossings. Everybody knows how the big motor buses are eating into the

earnings of the Canadian National Railways and other railways on this continent. The Grey Line buses and several other lines of buses travel between the large cities of Ontario and some go with their connections as far south as the gulf of Mexico. There is a law in some states that these buses must come to a full stop and throw open their doors at every level crossing. That is not only the rule of many of the companies but the law of the state. This bill does not apply where there are gates or bells at level crossings, and it applies only to steam railways and to trunk lines, where most damage is done.

Another section of the bill deals with juries. Women have made good in the House of Commons and in the Senate, and I believe they can do still better work on the jury. They might better as jurors see that women and children get compensation for injuries caused in these automobile accidents. They might also insist upon legislation being passed making motor car insurance compulsory so that the injured can get some relief.

I appeal to the minister himself. I do not wish to give him too much trouble, but I believe the time has come when we should have a complete revision of the criminal code. It started away back in the early days of this century, but there have been many discoveries and inventions since then, and I think a committee of both houses should be appointed to bring about law reform and a new criminal code. It may be too late to do it this session but I am here to-night to plead the case of these helpless people on the highways. I am pleading for the pedestrians, the men, women and children whom I have seen killed or injured in these accidents.

The onus is on the government of the day so long as they are the government. The onus is not on me as a private member. I have nothing to do with these matters except as a member of parliament representing the constituency of Broadview. Danforth avenue is the busiest street in Canada for traffic and in that constituency I must say that I hate to cross at nights part of Danforth avenue because of the chance of being knocked down by the hundreds of cars of outside traffic passing along the road at a rate of speed that I have never seen anything the equal of. I am simply doing my duty to my constituents in bringing this matter up this session as several of them have been killed. I brought it up last session when we had a debate covering forty-six pages of hansard, and all parties agreed that something should be done. As I said, the onus is on the government of the day to solve this problem. In the British House of Commons the Labour members have insisted on something being done. They have spoken out against the slaughter of their workmen and have asked for compensation as well. I admit, Mr. Speaker, that I am a little impatient when I see what is being done in other countries and, after bringing this matter up last session, getting no results here, I suggest that this bill be read a second time and perhaps then it might go to a committee, or in the recess the minister might consider appointing a committee of both houses or some other form of committee or commission to go into the problem, as they are doing in Washington, with three members of the cabinet on the committee. Otherwise what is going to happen between now and next Christmas? It simply means that three thousand more people will be killed or injured and put into hospital. The motor car is more successful in creating jobs, through killing people, than all we do in this parliament for unemployment. We are side-tracking this issue, but the people back home will ask us what we did here in Ottawa about it.

Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, I am grateful to my hon. friend for the information he has given the house in support of his bill. As the Prime Minister (Mr. Mackenzie King) told the house the other day, it is the intention of the government to introduce a bill to amend certain sections of the criminal code. I should not like to anticipate the introduction of that bill by making remarks, even in connection with the private bill introduced by my hon. friend, but I can assure him that the law officers of the department will carefully consider the argument he has offered in support of his request for certain amendments. If it is possible to insert some of his proposals in the government bill, it will be done. If we come to a different conclusion as to some of the provisions in his bill, the hon. member will be at liberty to move them as amendments to the government bill. In the meanwhile, if he will agree to my suggestion, I will move the adjournment of this debate and further discussion can be had on the matter when the government measure is before the house.

On motion of Mr. Lapointe the debate was adjourned.

## THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed consideration of the motion of Hon. Charles A. Dunning (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the proposed amendment thereto of Mr. MacInnis, and the proposed amendment to the amendment of Mr. Hansell.

Mr. D. J. HARTIGAN (Cape Breton South): Mr. Speaker, when the house rose at six o'clock I was dealing with some of the disabilities under which the coal miners of Canada suffer because of the limitation of markets. I had intended to go on with this matter for a while longer, but in view of some of the remarks made by the hon. member for Broadview (Mr. Church), I will summarize my remarks and then proceed to another subject which is very important to the people of Canada. I contend that the Canadian National Railways should use nothing but Canadian fuel. This system is owned by the Canadian people, the Canadian people have to pay any deficits. Canadian money should not be expended for the employment of American labour to supply coal for our railway lines. That is one of the points I wish to postulate.

The other is that the people of Canada are not willing to forego ownership in the Canadian National Railways. Despite accusations that may be made by certain hon. members, the Canadian people are not going to be deprived of this great public ownership undertaking which they have started. This is the greatest public ownership project in existence. I noticed in the Ottawa Journal of last Thursday that it was expected that the Canadian Pacific Railway would soon resume the payment of dividends. This statement must have created amazement in the minds of many Canadians; they must have been surprised to learn that after going through a period of depression identical to that gone through by our own railway system, this privately owned system was about to resume payment of dividends. To my mind this is evidence of only one thing; it implies that there must be some resistance by the Canadian people to the public ownership of the Canadian National Railways. We have no objection to using the product of American coal mines for the American units of the Canadian National Railways, or even of the Canadian Pacific, but we contend that Canadian fuel should be used on the Canadian lines, especially of our own system.

[Mr. E. Lapointe.]

Since the British empire trade agreements came into effect in 1932 an increasing quantity of Welsh and Scotch fuel has been coming into this country. It has been found that English crickets are being brought in with this coal. This cricket is different from our Canadian insect; it being brownish instead of black. It may be innocuous enough in its own habitat, but there have been instances where insects have thrived, when they found congenial conditions in the country into which they had been introduced, to such an extent as to constitute a pest in that country. I merely mention this so that the entomological branch may look into the matter. I am not saying that this is what will happen; I am not prophesying at all, but I do say that in the past there have been instances where insects have been brought in from other countries and have multiplied to such an extent as to constitute a pest.

I now leave this question to go on to deal with a question of great national urgency. On almost every second corner we hear people talking of this social question. I noticed a reference in the Ottawa Journal of May 7 to the introduction of a resolution by the hon. member for Greenwood (Mr. Massey) along similar lines. The hon. member asked: Is there a problem of youth in Canada? Yes, Mr. Speaker, I say there is. There is a serious problem, a problem which is national in scope. I say that it ill-becomes any member of the Conservative party to bring forward a resolution seeking to ameliorate the condition of youth in this country. Why do I say this? If we investigate the records we find that in 1921, 3,081 ounces of pure codeine were imported into Canada. In 1931 the importations amounted to 15,918 ounces; in 1932 they had increased to 17,010 ounces; in 1933 they had risen to 26,361 ounces. An astounding amount of codeine has been imported into this country. Under the League of Nations the importation of opium and its derivatives is forbidden and I am well aware that codeine is not specifically mentioned in this prohibition. At the same time that did not give the government of the day the authority or the right to narcotize the people of Canada to the extent indicated by the importations of 1933, which had amounted to the astounding total of 26,361 ounces. It got so bad—this is illuminating—that at a meeting of the opium advisory committee of the League of Nations at Geneva, Canada's attention was directed in 1930 to the fact that the codeine consumption of this country was the highest in the world. That is something to ponder. But that did not daunt the then

Prime Minister or the government so far as the importation of codeine was concerned, not at all. They were not faced with an increasing use of the drug. In 1934 there were imported 28,915 ounces, or an increase of 2,000 ounces. In other words, the League of Nations conventions were flaunted; its advice to Canada to cut down the consumption of codeine was not heeded, and in that regard the then Prime Minister of this country may have started the vicious circle by which other dictators in Europe disregarded both the conventions of the League of Nations and other treaties that existed. It would be illuminating to have the papers bearing on this question, the communications passed between this government and Geneva, tabled. I will not call for them. It is sufficient for me to point out the effects of this evil.

The hon. member for Broadview has been speaking of the recklessness of motorists. What else could he expect? You can go to any country store and for forty-five cents obtain twelve tablets containing a grain and a half of codeine. There is not an ethical doctor practising in the dominion who would give more than an eighth or at most a quarter of a grain. He would be satisfied to give an eighth of a grain and repeat that prescription if necessary. But, as I say, you can go to a store in the country and for forty-five cents get twelve tablets containing a grain and a half of codeine. I am aware that resistance can be built up, but who knows the untold suffering caused by the use of this drug? Only someone who is in close contact with the addict and who knows the conditions prevailing in his home. And then people will tell us that there is a youth problem in the country. Yes; and the previous government aggravated that problem to a great extent during the last five years. If you put a grain and a half of codeine into the hands of someone who does not know how to use it, some deluded woman who thinks it is an ordinary headache tablet which can be given to a child, you know very well what to expect. The hon. member for York South (Mr. Lawson) said the other night that he had the happy faculty of judging when anyone was serious. I do not know whether it was as a result of that proclivity that someone put a label on the package advising purchasers not to give the drug to children under two years of age. Just fancy! According to that, it is all right to give it to children of three, four, five or six, or to give it to a man or woman or some girl and let them drive an automobile. The hon. member for Broadview told us ably about traffic conditions in the cities. Well, what do you expect when you allow people to use this drug? How many mothers are there to-night who are not in sorrow for some son who has been paying for some crime, or who probably has already paid with his life the penalty, for some crime committed under the influence of this drug.

If the government wants to do anything to elevate the people and to improve social conditions it should begin with the prohibition of the promiscuous use of the drug, for at present anyone in the country may obtain it. Anybody can get the drug; when he sits behind the wheel of an automobile there is no coordination between his mind and his muscles, and his vision is distorted. Under its influence such people think they can go over houses or mountains. But apart from the effects the use of the drug is having on the population generally, consider the distress it is bringing to our workmen, the men in the mining districts and in industrial centres. Forty-five cents is not much as far as money goes, but it is a good deal when it is subtracted from the daily budget. The people who become addicted to the drug think it is a harmless headache tablet and they do not hesitate to spend forty-five cents for it. Take men working in the mining districts, getting one day's work a week; when you take away forty-five cents from such a man's wage to pay for this drug you can imagine how he is going to support his children for the rest of the week on the balance The former government, through its attitude to the narcotic question in the last five years, has driven the workmen of the country into an almost untenable position. And the workman is not to blame. But would-be reformers will get up and offer advice, and it is remarkable that when a Liberal government gets into power advice soon begins to pour in from Conservative sources. The hon. member for Broadview spoke fervently a short while ago; why did he not persuade the government, when his party was in office in the last five years, to do something towards the alleviation of this drug evil? It is said that a conference of youth is needed. What will be done? Will they meet and indulge in platitudes as we have seen in the past?

Mr. SPEAKER: The hon. member has spoken forty minutes.

Mr. HARTIGAN: I realize that my time is up, but perhaps you will allow me to say this in conclusion, Mr. Speaker. The Prime Minister might very well attend a

youth conference, and the happiest message that the youth of the country could possibly receive would be his assurance that the government would prohibit the promiscuous use of codeine, as has been done in the United States and nearly every other country in the civilized world.

Mr. W. F. KUHL (Jasper-Edson): Mr. Speaker, most hon. members who have spoken thus far on the budget have commenced their speeches by offering a tribute of praise to the Minister of Finance (Mr. Dunning) for his good work. Just to be different, I am not going to follow the beaten path; I will tell the minister and the government exactly what I think. When I think of the deplorable conditions of poverty throughout this Canada of ours; when I think of the hopeless condition of the young people throughout this country; when I think of the mental agony of both young and old; when I think of the pitiable condition of the blind, the maimed and the halt; when I think of the medical care that people require and cannot obtain; when I think of the possibilities of this age of plenty; when I think of the untold suffering, misery and agony that is being endured; when I think of the veritable hell that people are going through in these days, I cannot have any mercy whatever for the monetary policy which is supported by the minister or for his banker-bondholder budget.

I do not wish the minister to think I am criticising just for the sake of criticism. That is not my nature. The minister can rest assured that if he proposes any real, genuine reform I shall be one of the first to support it with both hands, both feet and every inch of the seventy-seven inches of my physical anatomy. But, Mr. Speaker, in view of the untold suffering that is abroad to-day I think it is time we dealt with the facts as we find them. I think the time is long overdue when we should quit playing and pussy-footing around; I think we should bore right into the heart of the problem, attack this citadel of high finance from every corner and deliver broadsides at it from every angle until it is demolished.

I do not wish the minister, however, to think that I harbour no kindly feelings whatever towards him on his presentation of the budget. I think his address certainly demonstrated his excellent business acumen and the many qualifications he has for the position of Minister of Finance. However, if intelligence and ability could be measured in that way I maintain that one ounce of intelligence and ability applied on behalf of the people would accomplish infinitely more than a hundred pounds of intelligence used only for the benefit of the bankers and the bondholders. This budget is undoubtedly the best the minister can do under the existing monetary policy, but that is the whole point, the existing monetary policy. I am sure no one in this house expects the minister to do much better as long as he permits himself to be bound by the shackles of an obsolete and outworn monetary policy. I am quite sure that if, before making up his budget, the minister had tasted some of the economic food of which some of his colleagues have partaken, I would find in his budget more that would merit favourable comment. As it stands, however, I must say that the whole thing can be summed up in one sentence: The people have asked for bread, and they have received a stone.

Many members of the Liberal party have been proclaiming from the housetops that their presence in this chamber in such overwhelming numbers is a definite and positive indication that the people of Canada approved of their trade policy. I contend that such statements are an entire misrepresentation of the facts. If there was in the Liberal platform anything at all of which the people approved it was the monetary reform which they hoped they would get. Anyone who knows what monetary reform means realizes that, as far as any indication of it in the budget is concerned, it is conspicuous by its absence. If the people of Canada voted on a policy at all certainly it was not a policy of trade. The people of Canada were under the impression that the Liberal party was going to restore to government its sovereign right, the industry of manufacturing money, as the hon. member for Vancouver-Burrard (Mr. McGeer) indicated in his speech not long ago. The speeches delivered from time to time by the right hon. Prime Minister (Mr. Mackenzie King) certainly gave the people of Canada the impression that this was going to take place. Let me repeat just one of the statements frequently made by the right hon. gentleman:

> Usury, once in control, will wreck any nation. Until the control of currency and credit is restored to government and recognized as its most conspicuous and most sacred responsibility, any talk of the sovereignty of parliament and of democracy is idle and futile.

We are still looking for indications of the implementation of promises of that kind. In view of that statement I say that if there is going to be no more monetary reform than is indicated in the proposed legislation, the inaction of the Liberal government in this connection will constitute one of the greatest

betrayals of public confidence ever recorded in the history of the parliament of Canada. During the election campaign back in Alberta we heard those of Liberal persuasion, if there is such a thing, say again and again, "Why should we vote for you inexperienced social crediters? The Liberals are going to give us monetary reform and they can accomplish far more for us in that direction than you can, for they are experienced parliamentarians." I am quite convinced now, however, from what I have seen of the proposed legislation, that the people who harboured such hopes are doomed to disappointment. Again I say that if the people did vote on a policy in the last election it was one of monetary reform and not one of trade.

As far as trade and tariffs are concerned not one elector out of a thousand can give an intelligent explanation as to the difference between the policies of the Conservatives and the Liberals. That is not because they are not intelligent; it is because there is no fundamental difference between Liberalism and Conservatism, and I think we have had first-hand proof of that right in this house. There have been just as many good arguments presented for high tariffs as have been presented against them. Furthermore we have been voting tariffs up and down ever since 1867, and during that whole period of time the public debt has been steadily increasing. Consider the period from 1913 to 1933, during which time we had changes of government from high tariff to low tariff. What happened? The population increased by thirty-five per cent; the production of wealth increased by ninety-five per cent, and the bonded indebtedness increased by 324 per cent. As far as trade benefiting the people is concerned there is no indication of it there. This quibbling and squabbling over tariffs is just camouflage for the bankers' money and credit racket. Liberals and Conservatives have always supported bankers controlled money and credit. There is only one difference that I can see between Liberals and Conservatives: The Conservatives swear by the tariff and they never raise it; the Liberals swear at it and they never lower it.

I wish to say a few words with respect to debt but before doing so I wish to accept the challenge offered in this chamber yesterday afternoon by the hon. member for Huron North (Mr. Deachman). At page 2689 of Hansard he is reported as saying:

> I challenge my hon. friend and the members of the social credit party in this house to tell us where that 15 billion dollars' worth of production went.

I tell the hon. member that if he has a chip on each shoulder I am going to knock both of them off. Whether the hon. member intended to or not he made statements, as reported on this and the following page, which left the inference that the leader of the social credit group was lacking in intelligence. Let me say that the hon. member should be more careful in future not to judge the intelligence of either the leader or the members of this group according to the standard of his own intelligence. On page 2689, referring to the leader of the social credit group, he spoke as follows:

> My hon. friend suggested in his speech of a week ago that in the United States the total value of all production in 1934 was 60 billion dollars, but that the total paid out in that production was only 40 billion dollars. In some strange way 20 billion dollars' worth had disappeared.

Then a little further down:

> By a mere twist of the fingers, 15 billion dollars' worth of production disappears.

Well I maintain that the hon. member has set up a straw man and knocked him down.

An hon. MEMBER: Where did the hon. member get those figures?

Mr. KUHL: They will be found on page 2689. I do not know where the leader of the social credit group obtained them, but those are the figures that were quoted. The point the hon. member makes is this: "In some strange way 20 billion dollars' worth had disappeared." I do not believe that any social crediter in this house ever maintained that the difference between the price values of goods and the total income ever disappeared. What we have constantly maintained is that the difference between the 60 billion and the 40 billion never existed as money. That is one point which the orthodox economists apparently are unwilling to accept. To-day a manufacturer makes goods and he makes prices, but he does not make money. When I say "make money" I am speaking in the literal sense and not as we ordinarily speak of making money. The only institutions which make or create money are the banks. Factories made goods and prices but not money. This 15 billion to which the hon. member for Huron North made reference never existed as money. He continues:

> There was an explanation for 5 billion dollars' worth of this in the payment of life insurance, but there was no explanation for the disappearance of the 15 billion dollars' worth of purchasing power.

The hon. member is mistaken when he draws the inference that any social crediter ever maintained that that 15 billion repre-

sented purchasing power; it does not; it never existed as money; it existed only as prices. Then he continues:

I have seen magicians stand upon a platform and pull rabbits out of a hat, hand them to a boy and have them disappear the next minute, but I have never seen a rabbit cause a man to disappear from a platform.

Well, I maintain that is exactly what the hon. member is endeavouring to do by supporting the monetary policy which he has supported. He is endeavouring to get this country out of debt by going further into debt. He is trying to make the rabbit make the man disappear from the platform. He can no more get this country out of debt by a debt creating system than he can get out of a hole by digging the hole deeper. He continues:

Here we have a member of the House of Commons who has been able to accomplish the impossible. By a mere twist of the fingers, 15 billion dollars' worth of production disappears.

The leader of the social credit group did not make the inference or the statement, that the production disappeared. The hon. member continues:

I challenge my hon. friend and the members of the social credit party in this house to tell us where that 15 billion dollars' worth of production went.

Well, this is where it went. In the United States, as all hon. members know, consumption was financed, and financed in different ways. All money that was issued as relief money was financing consumption. We know that many millions of dollars have been paid out by the federal government of the United States to producers of wealth for not producing, for restricting their production. We know that a great deal of wealth has been sabotaged. That is where the 15 billion dollars' worth of production went. But all this money which was issued for consumption was written up as debt, and the debt of the United States has constantly increased because of that. It is much the same thing that social credit members would be instituting with the exception that this consumer purchasing power would not be written up as debt. Then the hon. member continues:

They say that perhaps this production is lying on the shelves of the merchants, but I would never accuse capitalism of producing 15 billion dollars' worth of goods which it could not sell.

There is no accusation in that. What has that to do with accusation? Then he continues:

[Mr. Kuhl.]

Has it disappeared into the pockets of the bankers?

No it has not, because it never existed in the first place.

I do not think our banking friends are so smooth as to get away with that much without losing their equilibrium. I do not believe that has happened, and I do not know where this amount has gone. My hon. friends say that it has disappeared, and I ask them to search for it and find out where it is.

His hon. friends never did say it disappeared. As social crediters we maintain that the difference between total income and total price values exists only as prices, not as money or purchasing power anywhere in the system.

Then the hon. member continues with an illustration of a book, and then he says:

There is only one thing which could possibly arise, and I should be very glad indeed to hear my hon. friends deal with this matter. There is a possibility that in some part of the process some man might have got too much while others got too little. It is following largely the teaching of Major Douglas when I say that perhaps someone got too much, but I doubt very much whether any of it disappeared.

Major Douglas does not teach that principle. Major Douglas maintains that there is never sufficient money in existence to buy all the goods that are produced.

I should like to quote one passage from page 125 of Major Douglas' book Warning Democracy:

Economic advantage to the ordinary man means money advantage, and he has the idea, if he thinks about the matter at all, that there is only just so much money in the world, and if one man has more then the other must have less.... The poor are poor not because the rich are rich, but because there is not enough money, or more correctly, purchasing power, to make the poor rich, or even comfortably well off, even if the whole of the money possessed by the rich were taken from them and equally divided amongst the poor. The result of attempting to enforce the latter policy, and such an attempt is being made in many countries to-day under the stress of public pressure and democratic politics, is merely to accentuate the difficulty and still further to increase the grip of the financiers since the distribution of purchasing power, largely through the agency of wages, depends to a considerable extent on the buying of articles which would not be produced at all if the existing amount of money were equally divided, since no one would have enough to buy articles which may be said to be above the most mediocre standard of living.

The hon. member continues:

The enigma of the social credit system is the disappearance of the value of production which they cannot trace and which they have made no attempt to trace.

I cannot comprehend what the hon. member means by that statement. Apparently he knows the price of everything and the value of nothing. He continues:

That is, my hon. friends in the social credit section of the house, make the claim that production is vastly in excess of consumption.

That is correct; we do maintain that production exceeds consumption, not only actually but potentially. He continues:

... that there is therefore a large surplus, and that this surplus could be distributed. During 1928 and 1929 there probably was a fairly substantial surplus; it went into savings.

I am at a loss to understand what the hon. member is talking about in this instance. Is he talking about money or goods? He says that through 1928 and 1929 there probably was a fairly substantial surplus. There was a surplus of what? Was there a surplus of money or a surplus of goods? Then he says:

It went into savings, into investment, into expansion of plant. But if you are going to get a dividend out of the surplus you must first take it from the people who have it, tax it into your government and then distribute it again as a dividend.

Mr. Speaker, the hon. member has not made the statement correctly. Social crediters do not maintain that dividends can be obtained from existing income. If all incomes as they exist were distributed there would never be enough to buy the total of the goods offered for sale. He continues:

I hazard this statement—I think it is capable of proof—that during the last few years consumption exceeded production.

What does he mean by that? Does he mean that we consumed goods which were never produced? I am very much tempted to repeat the words we often hear, "Consistency, thou art a jewel." I should like to take more time than I have taken, but the time is passing and I must turn to the last part of the hon. member's speech. He continues:

They propose what has been called a cultural inheritance.

Social crediters have never proposed any such thing; the cultural heritage is here. It was obtained for us by our ancestors; we did not propose it. The hon. member continues:

But I submit that we are getting our dividends right now.

I wonder whom he means by "we," when he makes the statement "we are getting our dividends." If he means the bankers, bondholders, and presidents of corporations, then probably he is correct. His remarks continue:

It is paid to us. That is true of all the great inventions which we have. We are enjoying the dividends now.

I would ask the hon. member if he would dare go into the homes of unemployed or people who are living from hand to mouth, or living on subsistence incomes, and tell them that we are enjoying our dividends to-day? He concludes with this statement:

I have touched lightly upon one or two of the problems in relation to social credit.

I think he was correct when he said that he touched lightly. Then he makes this further statement:

It would be interesting if we had in this house a free discussion of the question, because I think there is nothing quite so easy as to puncture some of these bubbles.

I insist that the hon. member who composed this article is the one who is blowing the bubbles. He certainly cannot demolish the social credit theory with arguments of that kind. When he begins to attempt to demolish the social credit theory in that manner he has his head against a stone wall, and it will take a better head than his to move it.

An hon. MEMBER: Time is up.

Mr. KUHL: I think I have about ten minutes yet. An hon. member has suggested that time in this chamber costs $2,000 an hour. Well, I would like to suggest that much of the time which has been already spent in this house has been absolutely wasted. I think if the time taken up in the discussion of high or low tariffs had been spent in a discussion of the creation of money it would have been of far greater benefit to hon. members and to the people of the country generally.

I have not half finished my remarks, so I will content myself with dealing with the last portion of my address. I should like to say a few words with respect to the unemployed and work. During the course of the debate on measures respecting unemployment we heard a great deal of discussion concerning unemployment relief, old age pensions, pensions for the blind and for ex-service men. I think it is a shame that in this day and age we should be debating questions of that kind; they should be history. Economic security to-day, in this age of mass production, should be an established fact. We should not be debating as to whether or not the unemployed should have relief, or whether old age pensions, pensions for the blind or for ex-service men should be given. We should be debating the best type of policy which could be instituted to make the lives of these individuals most happy. I repeat that in this day and age economic security should be an established fact.

It has been often said during this session that we are struggling through a depression.

We have not depression; we are in an oppression. The so-called depressions we have had were not depressions. The only depressions we have experienced are those in which providence has failed to bestow its blessings on this earth, and there have been very few years since this country was settled when we have had a depression.

Mr. WILTON: Do not blame providence.

Mr. KUHL: We certainly do not blame providence. What we have been suffering from is an oppression by the bankers. What we call a depression is man-made, and it lies within the power of man to help himself out of this so-called depression, which is actually oppression.

We have had a great deal of discussion on motions and resolutions seeking to provide employment for the unemployed. In this day and age I think we should be more careful with respect to the terms we use. There are several ways by which the term "work" may be explained. I agree with all attempts by the government and others to provide necessary public works. I believe that necessary work is necessary, but I disagree entirely with the idea of deliberately trying to provide work. We have to settle in our minds, first of all, when we talk about work, what is the object of our economic system. Is it to provide work or is it to provide goods and services? I believe that the object of an economic system is to provide goods and services irrespective of whether or not it takes work through human hands. I believe, if we get down to fundamentals and agree on them, we can make some progress, but so long as we maintain that the object of an economic system is to provide work we shall not get anywhere. The unemployment situation is not a sign of decay; it is a sign of progress. We should be using the machine wherever possible. If the object of an economic system is the provision of work, it would be very simple to provide it. Why not put all the unemployed on the highways with teaspoons and table-knives? You could put the unemployed to work in that way. The purpose of an economic system is to provide goods and services and not work, and when you introduce the necessity of work into an economic system you are introducing something that is purely extraneous.

We must also distinguish between voluntary work and involuntary work. It is necessary for man to do voluntary work if he is going to obtain the most out of life. There are two kinds of involuntary work, or forced labour: that forced by man, and that forced by nature. That forced by nature is dignified and is necessary; that forced by man is unnecessary and servile. Man has been endeavouring to free himself from both kinds of forced labour ever since the history of man began. He has achieved to an outstanding degree freedom from nature's forced labour, but he still has to obtain freedom from man's forced labour.

The only method by which we can to-day distribute the goods which are produced and are upon the shelves, and for which there is no purchasing power in existence, is by placing purchasing power right in the hands of the consumers. There is absolutely no other way. The facts have been presented again and again to show that it is absolutely impossible with existing incomes to distribute the goods that can be both actually and potentially produced. I had intended to deal in some detail with the question of consumer purchasing power, but the time has gone by and I trust I shall have another opportunity to do so.

In conclusion, I should like to give two quotations to refute the argument that dividends would tend to demoralize people. But first let me say that so far as demoralization through the dividend is concerned, I do not think that is a matter with which the government should concern itself. A government should see that all goods which are produced are distributed. When it comes to demoralization as a result of consumer purchasing power, the government is stepping outside of its realm in dealing with that. That is a matter for the church and the school to deal with. Nevertheless I would like to place on Hansard two quotations to show that a dividend or consumer purchasing power or leisure does not tend to demoralize people.

During the boom period which came soon after the end of the war, the international labour office issued a questionnaire on the subject of the use of leisure by those whose shortened hours had made the question a live one, and in the following year, 1924, they reported on the replies, as follows:

> It has been ascertained that excessive drinking has become less frequent in those centres in which the working day has been shortened. Excessive drinking is frequently the result of overwork, since the workman, tired by the continuous effort required by long working hours, is tempted to seek relaxation by going from the workshop to the public house. It is clearly shown by the general tenor of the evidence given and the declarations made by representatives of employers' and workers' organizations, by secretaries of provincial councils, by industrial employers, etcetera, that not only has the new system failed to produce any increase in intemperance, but that, on the

contrary, it has been one of a number of other important causes of the marked decrease in drunkenness which is attested by fiscal and judicial statistics. The worker welcomes the opportunity of improving his home and taking exercise in the open air. Workers' gardens and sports clubs have increased in number, and sport has a beneficial effect upon health and character.

Elsewhere we read this:

In all countries the introduction of the eight hour day has resulted in increased attention to sport on the part of the workers. The movement for physical development is rapidly gaining ground amongst them. In many cases the workers' organizations themselves take the initiative in founding sport clubs. This is particularly true in Great Britain and the United States. In Germany also; according to information supplied by the Commission for Physical Training, the number of members of the chief sports clubs increased from 1,586,000 in 1914 to 2,955,000 in 1922. The number of members of workers' associations exclusively devoted to sport and athletics increased from 186,000 in 1914 to 382,000 in 1920.

Mr. SPEAKER: The hon. gentleman's time is exhausted.

Mr. KUHL: I would like permission, Mr. Speaker, to conclude in one sentence. I verily believe that we are actually on the verge of a promised land, but I wonder very seriously whether ours will not be the fate of Moses of old, that of merely viewing it from afar without actually participating in its pleasant benefits.

Mr. D. A. McNIVEN (Regina City): Mr. Speaker, I do not intend to follow the hon. member for Jasper-Edson (Mr. Kuhl) in two respects. In the first place, I intend to support the budget for certain reasons which I shall outline. In the second place, in the most emphatic language and in the most generous terms possible, I hasten to associate myself with others who have preceded me in extending my sincere personal congratulations to the Minister of Finance (Mr. Dunning) upon his clear, logical, lucid, analytical and comprehensive statement of Canadian finances. That statement and its presentation justify the confidence and satisfaction which spread clear across Canada when it became known that the hon. gentleman had accepted the invitation of the Prime Minister (Mr. Mackenzie King) to join his government. Nowhere did that wave of confidence and satisfaction find a more sincere expression than in the city of Regina and the province of Saskatchewan where the hon. gentleman had spent a great part of his life.

The budget statement itself presents the actualities of Canadian finance. It contains the possibility of development in the future that will redound to the advantage of the Canadian consumer. There are in the budget four matters, among others, which appeal to me:

(1) The reduction in the duty on agricultural implements;

(2) The reduction in the duty on automobiles;

(3) The reduction in the duty on textiles;

(4) The removal of artificial valuations for duty purposes which had existed previously. These are moves in the right direction, and they were introduced as a means of benefiting the Canadian consumer and the Canadian citizen. They constitute a substantial variation and departure from that economic nationalism, that system of bonuses, high tariffs and subsidies which during the last five years have so successfully dammed the limpid and fertilizing stream of trade.

I am not enthusiastic about the sales tax, but neither is the Minister of Finance. However there is no occasion for pessimism as this tax was increased only as an absolute necessity. When the Liberal party came into power in 1922 it was faced with a large deficit, a large adverse balance of trade, and every field of taxation had been fully canvassed. The government of that day found it necessary to increase the sales tax. This tax finally reached a maximum of six per cent. In 1924 the late Mr. Robb found that he was able to balance the budget, and in succeeding years there were annual reductions in the sales tax until it reached a minimum of one per cent in 1930. When Liberalism has had an opportunity to clear the channels of trade; when it has had a chance to put its principles and policies into effect, then we may expect a balanced budget and a gradual reduction in the sales tax resulting in its ultimate elimination.

I hope it will not be regarded as presumptuous on my part if as a lawyer and a representative of an urban centre I deal for a few moments with the question of agricultural implements. The reduction in the duties on agricultural implements, as contained in the Canada-United States trade agreement, was welcomed by the agricultural population of Canada. The increase in prices which followed shortly thereafter has since become a matter of grave concern and anxiety to that population. Nothing that has happened in recent months has so aroused the agricultural population of this country as this increase in the price of implements at a time when the farmer found himself in a desperate condition. The reduction in the duties on agricultural implements as contained in the budget is a welcome gesture on the part of the government, and is so received by the farmers of Canada.

This is not the first time that the question of the duties on agricultural implements has been discussed in this house. This has been a moot question at many sessions since 1876. I should like to make one or two references to incidents that have occurred in this house and in committee. In 1876, under the government of Sir Alexander Mackenzie, a committee of the house heard evidence given by Mr. Frost of the Frost and Wood Company, who was asked these questions, to which he gave these answers:

Q. How does the cost of material, rent, and labour in the United States compare with the cost in Canada?

A. The machine we sell at Prescott at $75, twelve months' credit, is sold by the American manufacturers at Ogdensburg, at $100.

Q. Still you sell cheaper than the manufacturers in the United States?

A. Yes, 25 per cent. By competition we succeeded in driving them all out of the country.

Apparently the manufacturer of those days was made of sterner stuff than the manufacturer of to-day. John Watson, of Paris, Ontario, also appeared before the committee in 1876. He said:

I have worked up my business, commencing with two men up to what it is to-day, increasing each year. Just as my capital increased I put it in the business.

He was asked this question:

If we adopted a policy which would require protection to iron manufacturers as well as other trades, the effect of that would be injurious to your trade?

To which he replied:

Yes; I think our business is protected just as much as it is necessary to protect it. The American can do nothing in the way of sending their goods here. We can compete with them in any shape, and we produce an article which they cannot excel.

Mr. Watson was then asked this question:

Do you believe the policy of the present government in not protecting home industries is a good policy, allowing the Americans to flood our markets with goods?

This venerable gentleman answered as follows:

I think it is better to do that than to increase the tariff—because the foundation of this country is agriculture and if you increase the tariff for the benefit of manufacturers, of course it must be disadvantageous to the farmers. I have noticed that in a season when the farmers were prosperous, the better position they were in, the better position I was in.

Industry does not seem to have yet learned that lesson in a practical way. We heard from the hon. member for Greenwood (Mr. Massey) with respect to the Massey-Harris Company. It seems to me that the management of that company has not now the same breadth of vision which it had in 1876.

[Mr. McNiven.]

Mr. MASSEY: I should like to correct the hon. member. I stated very clearly in my remarks that I have had no connection with the Massey-Harris Company for four years, nor has my family.

Mr. McNIVEN (Regina): I did not allege that my hon. friend had any connection with the Massey-Harris Company at the present time. I might go on to say that it is my regret, that it is probably too bad that my hon. friend's family did not continue their connection with that company. Had they done so it might have been better for that company and for the farmers of Canada. Mr. Massey, the president of the company, said in 1876:

We may also add that the existing tariff is satisfactory to us—

It was then fifteen per cent.

—and is sufficient protection. Perhaps even a little less would also be. A still further advance in the tariff would certainly prove adverse to our interests.

That continued until 1883 when, under the national policy, Sir John A. Macdonald increased the tariff to thirty-five per cent, and remained there until 1894 when industrial and agricultural conditions throughout the length and breadth of the country had reached such a stage—had been driven into the doldrums—through the operation of that industrial policy that the tariff was reduced in 1894 to twenty per cent, where it remained until the year 1907. In 1907 the tariff was reduced to 12½ per cent under the British preference, 17½ per cent under the intermediate, and 22½ per cent under the general. May I point out that prominent men in the Conservative party have not always thought as they do now with regard to the duties on agricultural implements, for in the spring of 1911, when he was representing a rural constituency and sitting in opposition, the Right Hon. Mr. Meighen moved in this house a resolution in these words:

That in the opinion of this house a substantial reduction in the import duties on agricultural implements is now due the agriculturists of Canada and is in just accord with the true end of a protective tariff.

Enlarging upon that motion, Mr. Meighen used this language:

Now, sir, what are the manufacturers of agricultural implements enabled to do? They are able, under this tariff, to exact a higher price than they could exact if the tariff were lower. I do not say that a reduction will, to any very enormous extent, affect the price; I believe it will materially, and I think it will render some relief to, particularly, the farmers of the west, many of whom, notwithstanding any statements that have been made

here, are struggling between success and failure every hour. It will accord some relief to them and I believe it is the bounden duty of the government to so afford it.

If ever there was a time in the history of this country when the farming population both east and west needed relief, now is the time.

Mr. Meighen continued:

From 10 to 20 per cent is about the addition which these manufacturers are able to obtain from our farmers, by reason of the increased protection afforded them by this government.

But it has remained for this government to push the line far beyond that, and they have not only given the manufacturers a grip on the whole home market, but practically given them a monopoly of it and they have taxed the consumer in order to push the manufacturers and their industries successfully into the markets of the world.

He was speaking of a time prior to 1911 and it seems to me that that paragraph is eloquently descriptive of conditions which have existed during the last five years. He concludes with this statement:

But before I go into that, let me give a few figures to show that the conditions of manufacture at the present time do not warrant a very material duty of any kind ... and I think I will convince the house that there is very little, if any difference in the cost of production of these machines on this side of the border and in the United States.... They (the manufacturers) are able under this tariff to exact a higher price than they could exact if the tariff were lower. It (the reduction of the tariff) will accord some relief to consumers and I believe it is the bounden duty of government to so afford it.

For a generation or more the farmers of Canada have been definitely of the opinion that the tariff did increase the price of agricultural implements, and they were confirmed in that opinion by the statements of such leading men as the Right Hon. Mr. Meighen. In 1914 the duty on agricultural implements was reduced to 12½ per cent under the general tariff. In 1920, speaking on this subject, the president of the Massey-Harris Company said:

Speaking on behalf of the company which I represent, I emphatically state that the privileges which are conferred on us by the protective duties have not been of very great advantage to us....

So far as the Massey-Harris Company is concerned, even to-day, examining it from the only standpoint of money making the company would perfectly be willing to face the withdrawal of the protective duty on farm implements, "if at the same time the tax was lifted upon all material which enters into their manufacture."

In 1922 when the Liberal government came into power there was a slight reduction in the duty and in 1924 that duty was reduced to six per cent. Reading the debates of that time I am amazed that our Conservative friends of that day should have regarded that tariff rate as free trade. They painted a gloomy picture of a destitute industrial life, migration to the United States and the devastation of industry generally. It is all very difficult to follow. The hon. member for Parkdale (Mr. Spence), speaking on May 1, 1924, used this language:

For free trade would drive away our population. Free trade would shut up our industries and the population would leave the urban centres.

He was concerned for the future of the city of Hamilton, for he went on to say:

As a result the population of Hamilton would soon be reduced from 110,000 to 50,000. This may actually occur, because a free trade policy is bound to bring about such a result if it does nothing else. My hon. friend here (Mr. Senn) is a truck farmer and lives within twenty miles of Hamilton. He does not do any growling. On the contrary, he is bringing in his produce and finding a ready market for it in Hamilton, for the city has a population sufficient to consume all the fruit and garden truck grown within forty miles of its boundaries. But what is going to happen when we depopulate this urban centre? What are we going to do? Land will drop in value fifty per cent because the price of land fluctuates with the price of farm products.

Addressing the treasury benches he said:

You gentlemen need a little more experience. Your mind is too narrow; you are continually thinking of yourselves to the exclusion of everybody else.

Is that not a gloomy picture? Well, we are happy to say that that picture was not realized. The city of Hamilton, then with a population of 110,000, by 1931 gloried in a population of 155,000, and we have the hon. gentleman to whom he referred in such lugubrious terms, the member for Haldimand (Mr. Senn), sitting in this house looking hale, hearty and prosperous.

Then too at this time Mr. Thomas Bradshaw, who was then general manager of the Massey-Harris Company, gave evidence. I will not refer in detail to that evidence except to read this:

I will not say all our machines, because that is not the case, but some machines are manufactured more cheaply in the States than they are in Toronto, and vice versa.

I cite that just as an illustration of the fact that the question was gone into with great thoroughness and in great detail. I was also interested in reading the speech delivered by the present hon. member for Broadview (Mr. Church), who at that time declaimed against the reduction in the duty on agricultural implements, because he said it would foment and augment the migration of workers to the United States. He pictured the disappearance of the Massey-Harris Company; he seemed afraid that they would take Massey

Hall and the Hart House string quartet with them. He was in a gloomy mood when he spoke on that occasion, and he concluded with this bit of verse:

> Ill fares the land to hastening ills a prey,
> Where free trade flourishes and men decay.

He affirmed his belief in the Bible, but he said, "I have no belief in either Exodus or Lamentations." That was the situation in 1924, but happily what he feared did not come about; his fears did not materialize. But in 1930 he was the supporter of a government that created for him a condition which brought to realization his fondest hopes. It gave him protection to the *n*th degree, and then from 1930 to 1935 we had an exodus of employees from the factories of this country, an exodus from the payrolls, and throughout the length and breadth of the land there were lamentations. At that time, in 1924, Mr. Massey confirmed what had been done. He said that he was perfectly satisfied with the reductions in the duty and that, as far as the Massey-Harris Company was concerned—and he said no doubt this would apply to other implement companies—there would be passed on to the farmers by way of reduced prices the complete saving effected by the remission of the sales tax and the lessened duties on raw material. The farmers of this country expect the implement industry to do now what was done in 1924.

In the most eloquent terms the hon. member for Greenwood (Mr. Massey) followed the practice of Conservative members during this session and deplored the reduction of any duties because of the effect that would have on industrial workers. He feared for their financial future. He was in favour of a high tariff and a monopoly for the benefit of the industrial workers. The names Massey and Cockshutt have been associated with the implement industry for generations, and I hope the hon. member will not take offence when I say that in the mind of the agricultural population the names Massey and Cockshutt have been associated with great wealth, accumulated in the farm implement industry. Therefore, when they speak of colossal losses so far as agricultural implements are concerned, it is difficult to understand, particularly where the Massey-Harris Company is involved. At page 63 of the report of the price spreads commission it is stated that in the years 1927, 1928 and 1929 the agricultural implement companies made $16,000,000, while in the years 1930 to 1934 they lost $11,000,000. The report goes on to state that their method of doing business since 1929 was an "inflexibility in price" and "a flexibility in production." There is just one expression appearing on page 62 of that report to which I should like to refer, because it sums up the situation pretty well:

> The result has been that the farmer, the industry's sole customer, whose income has been drastically reduced through the falling prices of primary products, and who has relatively little bargaining power, has been compelled to pay what he regards as high prices to a monopolistic manufacturing group for the essential tools of his trade, at a time when he could least afford it.

At page 66 the price spreads committee also state that there is no competition in price so far as the farm implement industry is concerned. There may be some competition in the matter of service, as to parts and in salesmanship, but the managements have seen to it that the price has been maintained. The viewpoint of the farmer is pretty well summed up at page 298 of the report, and I think this is well worth placing on Hansard because it comes from a man who, by reason of his clear-headed thinking during the progress of that inquiry, made himself a national figure. I refer to Mr. Ed. Young, who said:

> The implement manufacturers made a mistake many years ago when they joined the Canadian Manufacturers' Association in support of a fiscal policy calculated to exploit the only customers they had. Now that the exploitation is complete they find themselves without customers. Had they joined the farmers' associations in their fight against tariffs they might have created a saner sentiment in regard to these matters throughout the country and perhaps have saved us from some of the extreme tariff rates we now endure, and which have been the major factor in rendering the farmer unable to buy the implements he needs.

I have said that there was no competition. This report also indicates that the difference between the cash and credit price to the farmer is about fifteen per cent. It is also stated that in 1927, without the importation of agricultural implements to the tune of nearly $20,000,000, the production in Canada would not have been sufficient to take care of the export and domestic trade. Prior to the war the Massey-Harris Company devoted sixty per cent of their production to export trade, and this report indicates that since the war they have exported between sixty and eighty per cent of their production. It does seem to me that the Massey-Harris Company and other similar organizations are suffering to-day from loss of markets, particularly the loss of that export market due to the very conditions—increased tariffs—which they would perpetuate in this country. It appears to me that as a result of high tariffs the consumer pays more to a monopoly. He pays more to enable that monopoly to produce goods of which a large part find their way to the export

market. He pays more in another direction, also, because industry in the doldrums finds ways and means of reducing costs, generally at the expense of labour and, as has happened time and again, during the last five years the cost of maintaining that unemployed labour has fallen upon the state at large. The agricultural population of Canada asks for a reduction in the duties on agricultural implements; they ask for reductions in the price of agricultural implements. They ask for such reductions because they desire to place themselves in a position to produce at a price that will enable them to sell their product in the markets of the world in competition with Russia, Roumania, Argentina and other countries.

The hon. member for Greenwood wailed and lamented over the hardships of the industrial worker. May I tell him that if western Canada gets a crop and can market that crop at a fair price he need have no misgivings or worries so far as the industrial worker is concerned. Owing to conditions in western Canada during the last five years there is not a farm that does not need new implements, new hardware, new furniture, paint, glass, repairs of every kind that you can think of. If we get that crop—and it is coming, six inches of snow in western Canada last Friday—that good crop we are always hoping for, I say to the hon. member that he need have no worry about unemployment in the industrial plants; they will be so busy supplying the wants of western Canada that they will not even be able to take time off for lunch.

Yesterday the hon. member for Carleton (Mr. Hyndman) deprecated and deplored the fact that large amounts of money were being voted for western Canada without corresponding votes for Ontario, and he asked the reason. May I briefly tell him. In the years 1928 to 1935 in western Canada farmers have been frozen out, everything except the mortgages, dried out, everything except the mortgages, rusted out, everything except the mortgages, blown out, everything except the mortgages, prices declined for everything except the mortgages, and there is to-day such an accumulation of debt and such a condition has been created because there was no production that they were unable to maintain themselves. Because of the conditions the former government advanced large sums to western Canada—and I commend them for the action they took—and this government has continued and enlarged upon that policy for the benefit of those people who have suffered in what may rightly be called a national calamity. And may I say to the hon. member that if his county of Carleton should ever be so afflicted, which God forbid, the province of Saskatchewan and western Canada will extend to that county a helping hand. They would marshal the assets of western Canada to come to their rescue, as an expression of our conception of what confederation means, and in direct and definite appreciation of what has been done for us.

There is another point I had intended to deal with; I shall touch on it only in one way, and that is to express the disappointment and dissatisfaction of the general public at the fact that the automotive industry has found it necessary to increase the price of cars by the increase in the sales tax which has been imposed. Canada has dealt kindly and generously with the automotive industry. General Motors has 43,000,000 shares issued, and at to-day's price they have a value of $2,870,000,000. No one ever believes that General Motors is able to maintain fifty-three high-priced executives in the United States on a profit of only seventy-five cents on a car. Then look at Ford Motor Company, incorporated in 1904 with an initial investment of $125,000. That company has paid in cash dividends $22,813,000. They have reinvested undistributed profits approximating $27,000,000. That original $125,000 investment is now represented by 1,400,000 no par value shares which have a value on the markets of New York to-day of over $31,000,000. The people of Canada have dealt kindly and generously with the Ford Motor Company. I agree that it is a great institution, but I think the Ford Motor Company might have found ways and means of absorbing that small increase in the sales tax and set an example to Canadian industry, inspiring some degree of confidence in the minds of the afflicted farmer and those who have suffered so much.

Now, if I have a moment I would like to say a word on behalf of the blind. For twelve years the blind people have been coming to this parliament. For twelve successive years they have been showered by this house with platitudes. We have sympathized with them in their affliction; we have spoken to them in the most generous language, but we have never done anything for them except a minor vote once in a while. We were taught in our youth that nature and divine providence have a simple way of exacting compensation for our refusal to obey her laws and precepts. If that applies to individuals it applies likewise to nations, I firmly believe. It may be that the troubles and difficulties which we have

experienced during the last few years have come to us partly because of our refusal to recognize and act upon our responsibilities to these unfortunate people who are afflicted in a way that it is impossible for any of us who have our sight to appreciate. Let us give further consideration to their request. I never saw the Finance minister in a more disheartened mood than on the evening when he announced that it would not be possible to carry into effect that resolution. He would like to have done so; let us encourage him. The supplementary estimates are still to come down. Let us follow the poet, who said:

> Because right is right
> To follow right were wisdom
> In the scorn of consequence.

I see my time has expired and I will therefore conclude.

The house divided on the amendment to the amendment (Mr. Hansell) which was negatived on the following division:

YEAS

Messrs:

Blackmore
Elliott (Kindersley)
Fair
Hall
Hansell
Hayhurst
Jaques
Johnston (Bow River)
Kuhl
Landeryou
Marshall
Mitchell
Needham
Pelletier
Poole
Quelch—16.

NAYS

Messrs:

Anderson
Baker
Barber
Barry
Beubien
Beaubier
Bennett
Bertrand (Prescott)
Bertrand (Laurier)
Black (Châteauguay-Huntingdon)
Black (Yukon)
Blair
Blais
Blanchette
Bothwell
Bouchard
Boulanger
Bradette
Brasset
Brooks
Brown
Brunelle
Cahan
Cameron (Cape Breton North-Victoria)
Campbell
Cardin
Casselman
Chevrier (Ottawa East)
Chevrier (Stormont)
Church
Finn
Clark (Essex South)
Clark (York-Sunbury)
Clarke (Rosedale)
Cleaver
Cochrane
Coldwell
Crerar
Crète
Damude
Davidson
Deachman
Denis
Deslauriers
Douglas
Dubois
Dubuc
Duffus
Dunning
Dupuis
Dussault
Edwards
Elliott (Middlesex West)
Emmerson
Esling
Euler
Evans
Factor
Fafard
Farquhar
Ferguson
Ferron
McLarty
Fiset, Sir Eugène
Fleming
Fontaine
Fournier (Hull)
Fournier (Maisonneuve-Rosemount)
Fraser
Furniss
Gardiner
Gauthier
Gladstone
Glen
Golding
Goulet
Gray
Graydon
Green
Hamilton
Hanson
Hartigan
Heaps
Hill
Howden
Howe
Hurtubise
Hushion
Hyndman
Ilsley
Isnor
Jacobs
Johnston (Lake Centre)
King, Mackenzie
Kirk
Lacombe
Lacroix (Beauce)
Lacroix (Quebec-Montmorency)
Lalonde
Lapointe (Matapedia-Matane)
Lapointe (Quebec East)
Lawson
Leader
Leclerc
Lennard
Little
Macdonald (Brantford City)
MacInnis
MacKenzie (Neepawa)
Mackenzie (Vancouver Centre)
MacKinnon (Edmonton West)
MacLean (Prince)
MacLennan
MacMillan
MacNeil
MacNicol
MacRae
McCann
McCuaig
McCulloch
McDonald (Souris)
McDonald (Pontiac)
McGregor
McIntosh
McIvor
McKay
McKenzie (Lambton-Kent)
McKinnon (Kenora-Rainy River)
McLean (Simcoe East)
McLean (Melfort)
McNevin (Victoria, Ont.)
McNiven (Regina City)
McPhee
Mallette
Martin
Massey
Maybank
Michaud
Mills
Motherwell
Mullins
Mulock
Mutch
Neill
Parent (Quebec West and South)
Parent (Terrebonne)
Patterson
Perley (Qu'Appelle)
Perras
Pottier
Power
Purdy
Reid
Rennie
Rickard
Rinfret
Roberge
Robichaud
Rogers
Ross (St. Paul's)
Ross (Middlesex East)
Ross (Moose Jaw)
Rowe (Dufferin-Simcoe)
Ryan
St-Père
Sanderson
Senn
Sinclair
Spence
Stewart
Stirling
Streight
Sylvester
Taylor (Nanaimo)
Taylor (Norfolk)
Telford
Thauvette
Thompson
Thorson
Tomlinson
Tremblay
Tucker
Turgeon
Turner
Tustin
Venoit
Verville
Vien
Walsh
Ward
Weir
Wermenlinger
White
Wilton
Winkler
Wood
Woodsworth
Young—198.

The house divided on the amendment (Mr. MacInnis) which was negatived on the following division:

YEAS

Messrs:

Coldwell
Douglas
Heaps
MacInnis
MacNeil
Macphail, Miss
Taylor (Nanaimo)
Woodsworth—8.

NAYS

Messrs:

Anderson
Baker
Barber
Barry
Beaubien
Beaubier
Bennett
Bertrand (Prescott)
Bertrand (Laurier)
Black (Châteauguay-Huntingdon)
Black (Yukon)
Blackmore
Blair
Blais
Blanchette
Bothwell
Bouchard
Boulanger
Bradette
Brasset
Brooks
Brown
Brunelle
Cahan
Cameron (Cape Breton North-Victoria)
Campbell
Cardin
Casselman
Chevrier (Ottawa East)
Chevrier (Stormont)
Church
Clark (Essex South)
Clark (York-Sunbury)
Clarke (Rosedale)
Cleaver
Cochrane
Crerar
Crète
Damude
Davidson
Deachman
Denis
Deslauriers
Dubois
Dubuc
Duffus
Dunning
Dupuis
Dussault
Edwards
Elliott (Middlesex West)
Elliott (Kindserley)
Emmerson
Esling
Euler
Evans
Factor
Fafard
Fair
Farquhar
Ferguson
Ferron
Finn
Fiset, Sir Eugène
Fleming
Fontaine
Fournier (Hull)
Fournier (Maisonneuve-Rosemount)
Fraser
Furniss
Gardiner
Gauthier
Gladstone
Glen
Golding
Gosselin
Goulet
Gray
Graydon
Green
Hall
Hamilton
Hansell
Hanson
Hartigan
Hayhurst
Hill
Howard
Howden
Howe
Hurtubise
Hushion
Hyndman
Ilsley
Isnor
Jacobs
Jaques
Jean
Johnston (Bow River)
Johnston (Lake Centre)
King, Mackenzie
Kuhl
Kirk
Lacombe
Lacroix (Beauce)
Lacroix (Quebec-Montmorency)
Lalonde
Landeryou
Lapointe (Matapedia-Matane)
Lapointe (Quebec East)
Lawson
Leader
Leclerc
Lennard
Little
Macdonald (Brantford City)
MacKenzie (Neepawa)
Mackenzie (Vancouver Centre)
MacKinnon (Edmonton West)
MacLean (Prince)
MacLennan
MacMillan
MacNicol
MacRae
McCann
McCuaig
McCulloch
McDonald (Souris)
McDonald (Pontiac)
McGregor
McIntosh
McIvor
McKay
McKenzie (Lambton-Kent)
McKinnon (Kenora-Rainy River)
McLarty
McLean (Simcoe East)
McLean (Melfort)
McNevin (Victoria, Ont.)
McNiven (Regina City)
McPhee
Mallette
Marshall
Martin
Massey
Maybank
Michaud
Mills
Mitchell
Motherwell
Mullins
Mulock
Mutch
Needham
Neill
Parent (Quebec West and South)
Parent (Terrebonne)
Patterson
Pelletier
Perley (Qu'Appelle)
Perras
Pottier
Power
Purdy
Quelch
Reid
Rennie
Rhéaume
Rickard
Rinfret
Roberge
Robichaud
Rogers
Ross (St. Paul's)
Ross (Middlesex East)
Ross (Moose Jaw)
Rowe (Dufferin-Simcoe)
Ryan
St-Père
Sanderson
Senn
Sinclair
Spence
Stewart
Stirling
Streight
Sylvester
Taylor (Norfolk)
Telford
Thauvette
Thompson
Thorson
Tomlinson
Tremblay
Tucker
Turgeon
Turner
Tustin
Veniot
Verville
Vien
Walsh
Ward
Weir
Wermenlinger
White
Wilton
Winkler
Wood
Young—210.

Main motion (Mr. Dunning) agreed to, on division.

## WAYS AND MEANS

### CUSTOMS TARIFF AMENDMENT

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

Progress reported.

## ADJOURNMENT—BUSINESS OF THE HOUSE

Mr. MACKENZIE KING: To-morrow it is proposed to take up the resolution which appears in the name of the Minister of Justice

(Mr. Lapointe) with respect to an amendment to the British North America Act, and if time permits such of the special estimates as remain.

Mr. CAHAN: Might I suggest that it was agreed by the Minister of Justice (Mr. Lapointe) that prior to the discussion of this motion for the adoption of the address, he would bring down what correspondence there was with the provincial governments dealing with its subject matter. We have been waiting for correspondence dealing not only with the proposed loan council but with the other to some extent radical amendment to the British North America Act with regard to indirect taxation. It is almost unprecedented as far as this parliament is concerned, and if there is correspondence it certainly should be brought down in time to be considered before the discussion of the address.

Mr. LAPOINTE (Quebec East): I do not believe there is much correspondence with regard to this special feature of the address, namely, the right given to the provinces to impose some sort of indirect taxation. I think those matters were discussed orally at meetings of the conference and subconferences. However, I will look into the matter and possibly I may supply my hon. friend with whatever correspondence there is.

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

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## Wednesday, May 13, 1936

The house met at three o'clock.

### STANDING ORDERS

First report of the committee on standing orders.—Mr. Jacobs.

### QUESTIONS

(Questions answered orally are indicated by an asterisk.)

#### CIVIL SERVICE COMMISSION

Mr. McCULLOCH:

What was the total cost in the financial year of 1935 of the Civil Service Commission for all purposes?

Mr. RINFRET: $253,676.46.

#### *FEDERAL TAXATION BY PROVINCES

Mr. CHURCH:

What is the total amount of the actual cash taxes paid to the government per annum by provinces, deducting federal subsidies, for the last year of record?

[Mr. Mackenzie King.]

Mr. DUNNING: With reference to this question I find that a similar question was asked in the 1932 session. The then prime minister answered in a manner of which I wholly approve, and I quote his answer:

The question which the hon. gentleman asks I submit should be dropped. It is impossible to tell what sums have been derived from each province for the last five years, and by what department of the dominion government. It is possible to ascertain, as is known to every hon. member in this house, sums collected at the customs houses and income tax offices in each of the provinces. Obviously however, imports at cities like Montreal, Quebec, Saint John, Halifax, or other cities at the seaboard do not always show their destinations, and questions which have been asked in times past in this connection have not produced results. The bureau of statistics have not been able to get the information. It is not a question which the government could accurately answer, and an inaccurate answer would be worse than none at all.

For the same reasons I suggest that the question be dropped.

Mr. SPEAKER: Dropped.

#### HERVAY CHEMICAL COMPANY

Mr. BOULANGER:

1. Why did the Hervay Chemical Company of St. Basile, Portneuf county, as already stated to the house, refuse to produce its books to Mr. Allaire, the auditor, if the said books were correct?

2. How was it that this company in bankruptcy in the spring of 1931 owed the government $21,079.62 for arrears of sales tax if its books were correct and its returns were truthful?

3. Why has the company been prosecuted for refusing to produce its books, if the said books were accurate?

4. Why did Mr. Savary, accountant for the company, make the statements credited to him by the Department of National Revenue in its reply to previous questions, if the books and returns were accurate and truthful?

5. Has the company's indebtedness of $21,079.62 been settled by the Department of National Revenue for $5,227.65 and has the department given the company a receipt in full for the balance of the debt?

6. Who was the legal representative who made the settlement for the company with the Department of National Revenue?

7. Why did the Department of National Revenue allow the company's arrears of sales tax to reach the sum of $21,079.62?

8. Who is responsible for the fact that the sales tax owing by this company to the Department of National Revenue had not been paid and that the tax arrears were permitted to accumulate to the amount mentioned?

Mr. ILSLEY:

1. It has not been previously stated that the Hervay Chemical Company's books were correct. It has been stated, however, that books submitted to auditors were accurate.

2. It has not been stated that returns were truthful. After threatened prosecution by the department concealed records were produced from which Mr. Allaire established his assessment of $21,079.62.

3. Prosecution proceedings were instituted but were withdrawn when concealed records were produced.

4. Mr. Savary's declaration does not deal with accuracy of the company's records.

5. The company went into liquidation in 1932 and the department received $5,227.65 on account of its claim from the trustee in bankruptcy. No receipt in full was given to the company.

6. A settlement was not made. The company went into liquidation.

7. The department had no knowledge of the arrears until the concealed records were discovered.

8. Certain records were concealed. No departmental official was responsible.

PORT MAITLAND, ONT., FERRY

Mr. SENN:

1. Is it the intention of the Department of Railways and Canals to operate the ferry at Port Maitland this year?
2. What is the name of the operator of the ferry in former years?
3. How many years has he served in this capacity?
4. Has the appointment of an operator been made for this year?
5. If so, what is his name?
6. Upon whose recommendation was the appointment made?

Mr. HOWE:

1. Yes.

2. Allan David Ross.

3. Regularly, each season, from 1912 to 1929, inclusive. In March, 1930, ferry service was ordered discontinued, and Ross granted two months' retiring leave with pay.

In July, 1930, ferry service resumed for balance of season only, and George Siddall temporarily employed. Siddal resigned following the 1930 election, when Ross was re-employed. Since 1930, ferry service has been maintained from season to season on a temporary basis, and Ross' services continued in similar capacity up to and including 1935 season of navigation.

4. Yes.

5. George Siddall.

6. Frank Laidlaw.

BORSTAL SYSTEM

Mr. CHURCH:

1. Has the Borstal system been established in any of Canada's penal institutions?
2. If so, where?
3. What has been spent on this to date?
4. Will the government lay on the table of the house a copy of a report made by one of its departmental officers on this whole question after his visit to England last year?

Mr. LAPOINTE (Quebec East):

1. No.

2. Answered by No. 1.

3. Nil.

4. The report referred to is included in the annual report of the superintendent of penitentiaries which was tabled on February 10, 1936.

NATIONAL PARKS—ONTARIO

Mr. CHURCH:

1. Has the province of Ontario any federal national park?
2. If so, where is it located?
3. Has the government received during the last two years any correspondence or application with reference to establishing a federal national park in the Muskoka, lake Simcoe, Georgian bay and lake of Bays districts?
4. Has any action been taken on the said request?

Mr. CRERAR:

1. Yes—three.

2. St. Lawrence islands national park comprising part of the Thousand islands in the St. Lawrence river.

Point Pelee national park comprising all the crown lands as shown on the plan of the naval reserve at Point Pelee in the township of Mersea, as surveyed by Alexander Baird, provincial land surveyor, dated September 10, 1881.

Georgian bay island national park comprising Beausoleil island and 28 other islands or parts of islands in the Georgian bay lying opposite the townships of Freeman, Baxter and Gibson. In addition Flower Pot island near Tobermory is also administered as part of the Georgian bay islands national park, although not yet formally added to the park.

3 and 4. No record.

JAMES M. DOUGLAS

Mr. BENNETT:

1. Is James M. Douglas a stipendiary magistrate for the Northwest Territories?
2. If not, was he removed from office, and when and for what cause?

Mr. LAPOINTE (Quebec East):

1. No.

2. Yes, by order in council dated March 30, 1936. He was not removed for cause but for purposes of economy and good administration. His successor is an officer of the Department of the Interior, who performs the duties without additional remuneration.

EXPERIMENTAL FARM EXPROPRIATION

Mr. PERLEY (Qu'Appelle):

1. Has the west half of section 30, township 44, range 18, west of the 2nd meridian, been acquired by the government for experimental farm purposes?
2. If so, were expropriation proceedings taken to secure title to the said property, and what offer was made therefor?
3. Has a price in excess of the offer, if any, made in the expropriation proceedings been paid or agreed to be paid for the said half section?
4. If so, what sum, and when paid or payable?

Mr. GARDINER:

1. Yes.
2. Yes, $11,200.
3. Yes.
4. Cheque for $14,800, issued March 28, 1936.

## QUESTIONS PASSED AS ORDERS FOR RETURNS

SUGAR

Mr. BLACKMORE:

1. In 1935, what was the total number of tons of beets delivered by the farmers to each sugar factory in Canada?
2. What was the total price paid for the sugar beets delivered at each factory in Canada?
3. What was the total number of pounds of sugar manufactured from beets by each of these factories?
4. What was the total market value of the sugar?
5. What was the total revenue of the dominion government derived from the levy on the sugar from each sugar factory?
6. This government revenue is what percentage of the total gross price received by the farmers for their beets?

Mr. RINFRET: Return tabled herewith.

1. How much sugar did the Canadian people consume in each of the years 1930, 1931, 1932, 1933, 1934, and 1935?
2. From what countries did this sugar come, and how much from each of these countries?
3. What percentage of Canada's sugar supply is now produced in Canada?
4. In case of war, would sugar be contraband of war?
5. What encouragement, in the form of subsidy, or in other form, is the United States giving to her sugar producers?
6. What other countries of the western world, Europe and America, are giving some special encouragement to sugar producers?

Mr. RINFRET: Return tabled herewith.

PENSIONS TRIBUNAL STAFFS

Mr. PATTERSON:

1. What were the names and the salaries and expenses per annum of each member of all the provincial staffs, employed under the pensions tribunal from 1930, when the said pensions tribunal was created, until 1933, when the same was abolished?
2. Were the members of the pensions tribunal under contract for any stated period of time?
3. When the pensions tribunal was abolished, did the salaries of the members automatically cease, or were they further reimbursed for loss of anticipated salaries?
4. What were the total amounts expended by the board per annum in each province, including total salaries, total expenses and total administration costs?

## MOTIONS FOR PAPERS

COAL INQUIRY—FALSE MINUTE BOOK

Mr. LACROIX (Beauce):

For a copy of all letters, documents and report of proceedings sent the Attorney General of Quebec by the Registrar of Combines referring to the presentation of a false minute book by the Quebec Coal Dealers' Association during the investigation into an alleged coal combine held at Quebec and as referred to in the English transcription of the report of the registrar on page 147, lines 11 to 22 inclusive.

GOVERNMENT APPROPRIATIONS AND EXPENDITURES BY PROVINCES

Mr. MUTCH:

For a return showing: (1) the total amount asked for in the estimates, special estimates and supplementary estimates, for the fiscal year ending March 31, 1937; (2) the total amount to be expended by each of the several departments of the federal government in each of the nine provinces of Canada.

Mr. DUNNING: May I point out that the information sought in part 2 of the order cannot be given accurately, because there are so very many expenditures of the federal government which cannot be divided into provinces. There are matters of interest, war pensions and others which will occur to the minds of hon. members. Subject to this qualification I have no objection to the motion.

Mr. BENNETT: It cannot be completed until supplementary estimates are brought down, if any.

Mr. SPEAKER: Adopted, with the reservation mentioned.

QUEBEC WHARF RENTALS

Mr. BOULANGER:

For a copy of all leases and transfers of leases, actually in force, concerning the renting of space on the wharves in the harbour of Quebec

Mr. HOWE: May I point out that this motion refers to all wharves in the harbour of Quebec. Manifestly many of those are

not in any way connected with the government. Some are railway property, in respect of which it is not customary to give information of this kind. It is doubtful whether such information should be given as to harbour leases. I submit that the hon. member should either reword the motion or drop it, preferably the latter.

Mr. BOULANGER: I should be content with copies of leases granted by the former harbour commission on wharves belonging to the harbour commission. May I say further that I should be satisfied with abstracts of leases, showing the names of the parties, the consideration, length of term of lease, and so on.

Mr. HOWE: If the hon. member will recast the motion in that way, I can see no objection to it.

Mr. SPEAKER: Carried, with that reservation.

## BRITISH NORTH AMERICA ACT

### PROPOSED AMENDMENT RELATING TO TAXATION AND GUARANTEE OF PROVINCIAL DEBTS

On the notice of motion of the Minister of Justice (Mr. Lapointe) for an address to His Majesty the King praying that a measure be submitted to the parliament of Great Britain and Ireland to amend the British North America Act with respect to taxation and guarantee of provincial debts:

Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, last night the hon. member for St. Lawrence-St. George (Mr. Cahan) objected to our proceeding to-day because some correspondence referring to the matter had not been tabled. I have looked into the matter—

Mr. CHURCH: Mr. Speaker, I rise to a point of order, as to whether this resolution is in order.

Mr. SPEAKER: Order.

Mr. CHURCH: I wish to speak to a point of order.

Mr. SPEAKER: Order; I ask the hon. member to sit down. The Minister of Justice has the floor.

Mr. LAPOINTE (Quebec East): There is some little correspondence in the Department of Justice, which will be tabled this afternoon. Then there is some with the Department of Finance, and it will be laid on the table at the same time.

Hon. C. H. CAHAN (St. Lawrence-St. George): There was evidently some misunderstanding last night at adjournment. I referred particularly to correspondence dealing with the authorization to provinces to impose indirect taxation in certain instances. The misunderstanding was partly due to an incident which occurred during the unavoidable absence of the Minister of Justice from this chamber. On April 1 the Minister of Finance (Mr. Dunning) read into Hansard the correspondence between himself and the government of the province of Alberta. Then, on May 1, in his budget address he stated:

> I may add that after the most careful consideration we are prepared to recommend certain modifications to the loan council arrangement originally suggested.

Then the Minister of Finance proceeded to say:

> I might advise the house that the modification to which I have just referred is being communicated to all the provinces, particularly those primarily concerned, and of course will have their consideration, and we shall hear from them with respect to it before very long.

It is this correspondence, which has not yet been laid upon the table of the house, to which I also particularly referred last night.

Mr. LAPOINTE (Quebec East): The correspondence mentioned by the hon. member does not relate to the subject matter of the resolution. It is with regard to the details and particulars under which a loan council in Canada would be established, and the advantage which would be taken of the authority which the parliament of Canada would receive to guarantee loans made by provinces, and the taking of security on account of those guarantees. It is rather in relation to the legislation which will be submitted to parliament once the amendment to the British North America Act is enacted. I do not think it has relation to the subject matter of the address itself.

Mr. CAHAN: I find it almost impossible to understand clearly the purport of the amendment proposed to the British North America Act dealing with matters relating to the proposed loan council. I thought possibly the correspondence might clarify the intention of those who drafted the proposed address.

Mr. LAPOINTE (Quebec East): If there is no objection, I should be pleased to table the whole thing.

Mr. BENNETT: As long as we get it sooner or later.

Motion stands.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, I would like to ask the Minister of Justice (Mr. Lapointe) a question. In addition to bringing down the correspondence

that was asked for by the hon. member for St. Lawrence-St. George (Mr. Cahan) with reference to the resolution standing in the name of the Minister of Justice, will the minister consider widening the discussion on his resolution to include a discussion of the resolution in my name at the top of page 12 of the order paper, which has been standing on the order paper since the twenty-fifth of February? My point is that the minister's resolution deals with only one phase of amendments to the British North America Act.

Mr. SPEAKER: Order.

Mr. CHURCH: I am quite in order, Mr. Speaker.

Mr. SPEAKER: The hon. gentleman can present his views when the resolution is reached.

Mr. CHURCH: I am asking a proper question, Mr. Speaker, under the rules of the house, and am now simply laying the foundation for my question. Shall we be afforded an opportunity of discussing the whole question of amendments to the British North America Act along the lines of my resolution, which involves a much larger question?

Mr. LAPOINTE (Quebec East): Mr. Speaker, it is not the intention to extend the scope of the resolution as it stands on the order paper.

Mr. CHURCH: I intend to raise that question as to the anticipation rule when the resolution is under consideration.

Mr. SPEAKER: Order.

## CODEINE

### STATEMENT AS TO CONTROL OF IMPORTATION AND SALE

On the orders of the day:

Hon. C. G. POWER (Minister of Pensions and National Health): During the course of the debate last evening the hon. member for Cape Breton South (Mr. Hartigan) made certain statements respecting codeine which possibly he would not have made had he been in full possession of the facts. So far as the figures given by the hon. member with respect to the importation of codeine into Canada are concerned, the facts related by him are strictly accurate. But in so far as during the course of his remarks he reflected to some extent upon my predecessors in office, and particularly upon the present leader of the opposition (Mr. Bennett), I think it would be well to read a statement furnished me by the department, in order that the house may be in full possession of the facts with respect to this drug.



Codeine was included in part II of the narcotic schedule during the year 1933, which placed the control of the import and export of such drug in the hands of this department, and which drug as a result could be legally imported or exported only by licensed narcotic wholesalers. The whole question of codeine has been referred to the health committee of the League of Nations for investigation into its addiction properties, which question is under study at the present time, and no report has so far been received. The only country so far as I am aware which has placed codeine on the addiction list is the United States of America.

As a result of a discussion with the Canadian Pharmaceutical Association and subsequently with a number of narcotic wholesalers, a cooperative scheme of control of sales not covered by any legislative authority was initiated on December 1, 1934, whereby narcotic wholesalers undertook to supply codeine only to those mentioned in section 5 of the Narcotic Act, namely, other licensed wholesalers, physicians, dentists, veterinary surgeons and retail druggists, and report such sales monthly both to this department and to the registrars of the provincial pharmaceutical associations concerned. These figures were to be coordinated, and when in the opinion of the provincial pharmaceutical associations any sales to retail druggists were found to be excessive, they were to recommend that further sales to such druggists be prevented, the wholesalers in turn having undertaken to accept and act on any recommendations which they received through this department. As a result of this cooperative control there are at the present time fifty-nine retail druggists whose names appear on the codeine restricted list, which prevents their obtaining any supply of codeine whatever from licensed wholesalers.

In October, 1935, all licensed narcotic wholesalers in Canada were requested to limit their sales of codeine to all retail druggists to one ounce in any one month, unless special authority to exceed such amount had previously been issued by this department.

During 1919, when the Patent and Proprietary Medicine Act was amended, the use of codeine was prohibited in patent medicines.

The increased consumption of codeine in Canada is due to the effective control of the importation, manufacture and sale of other narcotics such as opium, morphine and its

derivatives, and cocaine. The inability of drug addicts to obtain these drugs has driven them to the use of codeine. When they first found their supply of these drugs cut off they resorted to paregoric. As soon as it was ascertained that the consumption of this drug was increasing it was brought under the active control. They are now using codeine. The use of codeine has been discussed by the representatives of Canada on the League of Nations, with the object of endeavouring to impose the same measures of control upon it that have been put into effect on other narcotics.

Successive governments have cooperated fully with the opium traffic and social welfare sections of the League of Nations in controlling the illegal traffic in narcotics. Canada has actively participated in the work of the advisory committee on traffic in opium and other dangerous drugs to which the chief of the narcotic division of the Department of Pensions and National Health was appointed as Canadian representative in 1934, and is at the present time chairman of this committee, and has for years proceeded to Geneva at least annually, at the expense of the Department of External Affairs of the Canadian government. He is at the present time acting in the capacity of chairman of the narcotic division of the League of Nations at Geneva, having been sent there by the government.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I wish to express my grateful appreciation of the statement the minister has just read; for I had intended as a matter of privilege to make some statement in view of the use of my name very frequently last evening, and the charge made against me of personal responsibility for codeine being purchased by people in this country.

I desire to add just this word to what has been said. The services of Colonel Sharman, who is chief of the narcotic division of the health department, have been so highly spoken of by the League of Nations that it resulted in his being appointed chairman of a special committee dealing with narcotics, and, as I understand from the minister, he is now in Geneva.

During the time we were in office the Department of External Affairs saw to it that Canada was represented at the League of Nations, and Colonel Sharman discharged his duties in a manner that brought to us warm commendation upon his efforts and his appointment. I resent the idea of being charged personally with responsibility for the acquisition by people of the habit of using dangerous drugs, simply because I happened for a time to hold office.

## LEAGUE OF NATIONS

### IMPOSITION AND ENFORCEMENT OF SANCTIONS AGAINST ITALY

On the orders of the day:

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, according to the press Geneva has been considering the question of sanctions. May I ask the Prime Minister to state whether in the recent discussions Canada voted in favour of a continuance of sanctions against Italy?

Right Hon. W. L. MACKENZIE KING (Prime Minister): In reply I would say to my hon. friend that Canada is not a member of the council and therefore did not have a vote in the matter.

Mr. WOODSWORTH: May I ask, since there has been consultation between the British empire and the dominions, what is the attitude of Canada in regard to the question of continuing sanctions against Italy?

Mr. MACKENZIE KING: So far as I am aware, there has been no consultation in respect to the matter to which my hon. friend refers.

Mr. WOODSWORTH: May I ask one other question, whether the Prime Minister will shortly inform the house as to what the attitude of Canada is in regard to the continuance of sanctions against Italy?

Mr. MACKENZIE KING: I have already intimated that when we come to discuss the estimates we have still one item relating to the League of Nations, and at that time questions with reference thereto may be asked and will be answered so far as circumstances and information available will permit.

Mr. WOODSWORTH: Does the Prime Minister intimate that no opportunity is to be given this house to discuss this matter before the estimates are under consideration? That was not my understanding the other day.

Some hon. MEMBERS: Order.

## PUBLIC BUILDINGS—COAL

On the orders of the day:

Hon. FERNAND RINFRET (Secretary of State): Mr. Speaker, yesterday the member for Royal (Mr. Brooks) inquired for a return regarding contracts for a supply of coal to dominion public buildings in the maritime provinces in the year 1935-36. I may say that the return involves several departments, and

as the information must come from outside Ottawa it may still take a few days before the return is completed.

## COPYRIGHT AMENDMENT ACT

On the orders of the day:

Mr. H. E. WILTON (Hamilton West): May I ask the Secretary of State (Mr. Rinfret) when he intends to proceed with Bill No. 55, to amend the Copyright Act, which received its second reading about three weeks ago? If permissible, I should also like while on my feet to call the attention of the Minister of Finance—

Mr. SPEAKER: Order.

Right Hon. W. L. MACKENZIE KING (Prime Minister): May I answer my hon. friend by saying he will be advised in the usual way as to the order in which the different measures will be taken up. It is not possible to indicate at this stage what may be taken up possibly some days or even weeks hence.

## SALES TAX ON AUTOMOBILES

On the orders of the day:

Mr. H. E. WILTON (Hamilton West): Mr. Speaker, I should like to take this opportunity of calling the attention of the Minister of Finance (Mr. Dunning) to a telegram which I received yesterday from the automobile dealers of Hamilton. I believe a similar telegram was sent to the minister. They are complaining about the sales tax being imposed on automobiles which were purchased prior to the bringing down of the budget. In other words, they object to the tax being made retroactive, and they ask if something cannot be done to relieve them of what they regard as a burden.

Hon. CHARLES A. DUNNING (Minister of Finance): I have received several such telegrams.

## SUPPLY—LEAGUE OF NATIONS

### STATEMENT OF MR. WOODSWORTH ON MOTION OF MINISTER OF FINANCE

Hon. CHARLES A. DUNNING (Minister of Finance) moved that the house go into committee of supply.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, before you leave the chair I should like to refer once more to the question I put a few moments ago with reference to the situation at Geneva. Some days ago I asked the Prime Minister (Mr. Mackenzie King) if he would afford an early opportunity for the house to discuss the present world situation and our attitude toward the League of Nations. He intimated that he was willing to do so, but apparently to-day he has altered his decision. He suggests that there will be an opportunity to discuss this matter when the estimates of the Department of External Affairs are being considered. In years past, however, these estimates as a rule have been presented very late in the session. I think I am correct in stating that for the last two years there has been no discussion on external affairs estimates.



Mr. BENNETT: We held them open to give you a chance.

Mr. WOODSWORTH: They were held open on one occasion, but last year there was a switch in the estimates late one evening, of which no notification was given beforehand, and some of us who were interested in discussing these matters had no opportunity of doing so. I do not say this by way of reflection on the previous government or even on the present government; I say it simply to emphasize the fact that on the whole the house has not taken any very great interest in external affairs.

Perhaps it may not be quite fair to precipitate a debate of this kind without giving hon. members an opportunity for preparation. The government certainly should be given an opportunity to make a careful canvass of its own position. I would not have introduced this matter to-day were it not for the fact that the Prime Minister apparently is determined to give the house no information whatever as to the foreign policy of the government at this very important crisis in world history.

I do not think it is necessary to review the events that have taken place within the last few weeks in Europe. Some people seem to think that Europe is so far away from us that we need not worry a great deal. As the Minister of Finance (Mr. Dunning) reminded us the other day, the last war is still with us and still offers one of the main budgetary factors to be considered. Only a few moments before I came down to the chamber I was interviewed by one of the victims of the last war, something which I have no doubt happens to many hon. members from time to time. All this is saddening. But surely it should mean consideration of policies for the future.

The world situation as it is to-day is too important a matter to be passed over so easily. I am not suggesting that the Prime Minister or the members of the government are indifferent to the matter; I am sure it must be

causing them a great deal of worry, but the fact is that the government ought not alone to decide the most important matters of public policy. We spend weeks going into great detail on matters which have been determined already, such as the trade treaty between Canada and the United States; surely we can devote one day to a discussion of foreign affairs. I would remind the house that we are not without responsibilities in this regard. As a member of the League of Nations we are committed already to the league and apparently to a program of sanctions. In view of the situation that has developed, I think it is only reasonable that we should know what is the attitude of Canada at this time of crisis.

This is not a secret which must be rigidly maintained within the confines of the cabinet itself. Occasionally I see dispatches from England stating that the British House of Commons has discussed freely certain government policies with regard to foreign affairs. I think that is only right. If war or disaster of any kind comes upon this country, the people will be forced into service. They have the right to know beforehand what are the policies of this government and what we are heading for.

I think most citizens of Canada, in fact most citizens of the leading countries of the world, have been greatly perturbed over the failure of the League of Nations in this Italo-Ethiopian affair. The league has been regarded as the bulwark of peace, and we have been told that we ought to rely upon collective security, but it would seem that the league as it is now constituted has failed dismally. It failed in the Sino-Japanese affair a few years ago; it failed in connection with the South American trouble, and it has failed in the most spectacular way in connection with Ethiopia. What are we going to do with regard to the situation? Are we to continue as members of a league that apparently will afford us no security against war in the future?

We know that this kind of failure is producing armaments on all sides. We know that England has abandoned her old idea of having comparatively small armaments and has begun to speed up the manufacture of armaments. This raises another question. What is our attitude towards Great Britain? Are we going to permit Great Britain to speak for us in the councils of the world? Are we to have no independent voice? Are we simply to acquiesce after the event and be expected to contribute our Canadian boys to forces that may be called up because of the possible bungling of British statesmen or because a political party that happens to be in power to-day is pursuing a policy not in the interests of world peace? These are important questions for our Canadian people, too important to be passed over lightly.

I did not come prepared for this discussion to-day, and I think we should all be fully prepared when we consider this situation. I do not intend to ask the government to-day for a definite answer or to precipitate a general debate, but I cannot pass up the opportunity afforded by the motion to go into supply without stating my strong conviction that in the very near future the government should take this house into its confidence and tell us very clearly what the obligations of Canada now are with regard to sanctions; what the attitude of this country is going to be towards the League of Nations in the future, having regard to the failure of the league as now constituted to give us any security; and further than that, and I think even more important, what our attitude is going to be with regard to Great Britain herself in the new program of armaments which she has undertaken. Last of all, as we think of the preservation of our own country in the future, we should know where our own reliance is to be placed.

Some of us have tried from time to time when the estimates of the Department of National Defence have been under consideration to draw from the cabinet information of some sort as to what the general defence policy of the country is, whether we alone are to stand against all comers, whether we are to depend upon the United States or whether we are to revert to the older imperial policy and try to come under the wing of Great Britain, with all the advantages and all the disadvantages of that course, or whether some other course is possible. We ought to know these things, and to-day I would, if I might, give notice to the government that some of us at least will expect to discuss this matter in greater detail in the near future I would ask, therefore, that the government give us some opportunity in the near future—and I should prefer it according to regular procedure—to discuss this whole matter. The question is urgent. I do not think anything is to be gained by a pussyfooting policy.

Right Hon. W. L. MACKENZIE KING (Prime Minister): First of all may I draw my hon. friend's attention to the fact that I have in no way changed my position as to when a discussion should take place on any particular matter. I have always said that the government would seek to meet what it believed to be the convenience and the wishes of the house. I have before me the reply I gave my hon. friend the other day. On May 7 I said:

The government naturally will seek to meet the wishes of the house. There have been reasons why we have thought it inadvisable just at this moment to bring on a debate on the European situation. We shall wish to consider carefully all matters that should be considered in that connection. There is however no desire to delay discussion if hon. members deem it advisable to have League matters debated at an early date.

I may be mistaken, but I believe that the great majority of members in this house as well as the great majority of the citizens of Canada are of the opinion that we shall be contributing more effectively to an amicable adjustment of the very difficult situation which faces European statesmen at the present time if we consider very carefully the time at which we enter upon discussion of that situation. I ask my hon. friend to consider what the effect of a discussion in this parliament two months ago, one month ago, two weeks ago, might have been upon the matters that are being discussed at Geneva and in London at the present time. Would a discussion have been of assistance to those who are wrestling with these great problems which, it might almost be said, are the most critical the world has been faced with at any time? Has the government not pursued the wiser course, of proceeding as rapidly as possible with the matters which are of immediate concern to us here and which we feel should be considered first because of their great importance to Canada at present. We have adopted the course we have indicated because we believe it to be the best one to follow, all circumstances being considered.

I did say that when we came to a discussion of the estimates of the Department of External Affairs ample opportunity would be given for a discussion of all matters pertaining to the league, and one item was reserved for that purpose. I believe I am right when I say that it is the view of the great majority of members of this house that it would be better not to enter too precipitately into a debate upon the European situation but rather to consider very carefully the time at which it would be best to take it up. The government will endeavour to select the best possible moment but while I say that, however, I wish to make it clear that I am not precluding any member from bringing on a discussion at any time he may wish. The fact that the hon. gentleman has made a speech this afternoon on the subject indicates that he has the right to speak at any time when the house is being moved into committee of supply or committee of ways and means. I believe, however, that the fact that other members have not followed his example in that regard is evidence that the house generally feels, as I am sure the country feels, that the situation in Europe is very grave and critical and that great caution should be used on the part of members of this House of Commons with respect to discussions which may take place here on the European situation.

[Mr. Mackenzie King.]

Right Hon. R. B. BENNETT (Leader of the Opposition): When the other afternoon the hon. member for Winnipeg North Centre (Mr. Woodsworth) asked the Prime Minister (Mr. Mackenzie King) to set aside a day for discussion of the relations of Canada to the League of Nations, I recalled that a few weeks ago the Prime Minister indicated to the house that when the External Affairs estimates were under consideration the fullest opportunity would be given for discussion. It is obvious that in view of the fact that questions must be asked and answered a much fairer opportunity for real discussion would be given by that procedure than would be afforded by making set speeches in the house with the Speaker in the chair, inasmuch as a good deal of information must necessarily be obtained as to what attitude has been taken by Canada at various times during the last few months in connection with the matters under consideration. For my own part I think the Prime Minister has discharged his duty to the house by making it clear that before the house rises there will be ample opportunity for us to be fully informed, through, as well, discussions in the country itself, of everything that is connected with the European situation.

I do not share the view of the hon. member for Winnipeg North Centre, that discussion in this chamber is going to have any particular effect upon the world situation at large, nor do I share the Prime Minister's view in that regard. I realize that at the moment these matters are in the hands of the council of the League of Nations; that Canada is not a member of that council, and that any observations which might be made in this house, and which would embarrass an already embarrassed situation, would be, in my judgment at any rate, not only unsound but calculated to retard rather than to assist the accomplishment of the purposes and ends we have in view.

I feel quite certain that when the appropriate time comes—that is when the External Affairs estimates are under consideration—many of those at least with whom I am associated will be glad to be informed of the progress of events and no premature or merely academic discussion with a view to determining in theory what we are or what we are not, what we should do or what we should not do, will advance the purpose we have in mind. Our effort must be to uphold the hands of those who are endeavour-

ing to maintain the peace of the world, and I believe that view is held by every member of this house and by the people of Canada at large. How best we may do that is a matter which might admit of differences of opinion. Hon. gentlemen on this side of the house may hold an opinion which is wholly in accord with that held by gentlemen on the other side, and it may equally be that opinions held by various members on the other side differ one with another. In the same way there may be differences of opinion among members who sit on this side of the house, because it is obvious that this question never can be, at least it never should be, a matter of party difference. These matters far transcend party differences; they have to do with the very fabric of our social and economic life and with the peace, happiness and prosperity of individual citizens, regardless of their views or beliefs as to politics, religion, economics or any other question. I am certain that we shall all approach the discussion of the problem with an open mind and with the desire not hastily to prejudge it by any statement which is made in this chamber, because more importance will attach to what we say in the house than to what we say outside it, and no statement should be made here which could be construed as, on the one hand, in any sense provocative, or on the other, as unduly optimistic. We must remember that we are merely trustees, upon whom a certain measure of authority has been conferred by the people as a whole.

In dealing with international questions this parliament is not in the position of the British Foreign Office, though that department, it is to be observed, endeavours to divorce itself from political considerations when discussing problems affecting the welfare of the nation and the empire. We must endeavour to deal with these issues in a manner which will demonstrate that in so doing we are without party bias. After all, a Prime Minister is seized of information that we have not, and in the very nature of things, as I have frequently said when my views were not very highly regarded by those who now sit on the treasury benches, he must accept responsibility for determining whether or not it is in the public interest —not party interest—to precipitate a discussion of questions which affect the welfare of the nation as a whole. I do not frequently give my confidence to the government, but I believe that, in delaying for the moment a discussion of the position of Canada with respect to the League of Nations and our relations to other nations in regard to the present European situation, no Prime Minister with a sense of proper responsibility would do other than give to the problem the best judgment he could, and when he advises the house that in his opinion the public interest will be best served by delaying any discussion of that kind, I for one am prepared to accept his statement.

Hon. ERNEST LAPOINTE (Minister of Justice): May I say a word in support of the stand taken by the Prime Minister (Mr. Mackenzie King) and the leader of the opposition (Mr. Bennett)? The council of the league is naturally seized with the question; it is a very difficult problem, so complicated and so fraught with danger that even they, with the information they have, have thought it better to adjourn, until some time in the month of June, any discussion of the matter. Surely if they could not do otherwise, we in this house are not in a position to do better than those who are assembled at Geneva. In the second place, we are not members of the council. When a decision is reached there, it will be time enough for Canada to take a stand as to following the decision and accepting the views of the council, or refusing to do so. I appreciate the earnestness and the sincerity of my hon. friend from Winnipeg North Centre (Mr. Woodsworth), but I am sure he will agree with us that for the present it is better to let the matter be discussed over there, without bringing before the house material which might make the situation more difficult.

Motion agreed to, and the house went into committee of supply, Mr. Sanderson in the chair.

## SUPPLY

### DEPARTMENT OF INDIAN AFFAIRS

#### Project Already Undertaken

To provide for completion of the Qu'Appelle Indian hospital at Fort Qu'Appelle, Saskatchewan, $30,000.

Mr. BENNETT: These are supplementary estimates?

Hon. T. A. CRERAR (Superintendent General of Indian Affairs): Yes.

Mr. PERLEY (Qu'Appelle): Would the minister give us a little more detail with respect to this $30,000 vote? Is it an added amount needed to complete the building?

Mr. CRERAR: No, it is not an added amount. Ordinarily this would have been expended under the Public Works Construction

Act. Following March 31, this is the amount under the new vote. As I explained the other day with respect to some other estimates, this is required to complete the building.

Mr. PERLEY (Qu'Appelle): When will the building be completed and ready for opening?

Mr. CRERAR: In the near future. I understand they are waiting for the completion of the arrangements for a water supply.

Mr. TAYLOR (Nanaimo): Is any provision being made to assist the Nanaimo hospital to provide an Indian wing? I addressed the minister in that connection some time ago.

Mr. CRERAR: There is no provision under this item, which deals only with the completion of the hospital at Fort Qu'Appelle.

Mr. TAYLOR (Nanaimo): Will the minister state if he intends to make any provision for the purpose I have mentioned?

Mr. CRERAR: That may be considered under another item. I will answer the hon. member at that time, after this item has passed.

Item agreed to.

Other Projects

To provide for repairs and improvements to government buildings and new buildings, and assistance to building projects relating to Indian administration, $135,708.

Mr. BENNETT: Will the minister give us particulars of this item?

Mr. CRERAR: This item, as stated, is to provide for repairs and improvements to government buildings and new buildings, and assistance to building projects relating to Indian administration.

Mr. BENNETT: What new buildings?

Mr. CRERAR: There is a new agency office building at Caughnawaga reserve. There are repairs to agency buildings in Quebec, I am not at the moment able to give particulars of those.

Mr. BENNETT: The question was as to the new projects.

Mr. CRERAR: In Manitoba there are repairs to the Swan Lake home, farm and buildings. There is a combined office building and store house at the Fisher River Indian reserve, also an expenditure for a new agency residence at Norway House. There are proposals for a new office at The Pas Agency, some improvements at the Battleford agency, the Carlton and Crooked Lake and Duck Lake agencies. In this vote might also come the point raised by my hon. friend from Nanaimo (Mr. Taylor). All the details of this vote have not been worked out, but it is contemplated that where arrangements can be made assistance may be given in the manner suggested by my hon. friend. I cannot at the moment state whether that will apply to his particular instance or not, but I can tell him that it will have the fullest consideration. We have been asked for assistance in several cases in extending hospital facilities for the care of Indian patients. I am not at the moment in a position to say precisely where that action will be taken, but I can assure the committee and the hon. member that it will be taken according to the best judgment of the officers of the department and myself.

Mr. PERLEY (Qu'Appelle): The minister mentioned new buildings and improvements in the Crooked Lake agency. Can he state whether that is a new residence for the agent, or what is it?

Mr. CRERAR: I am informed that it is a house for the agent of that reserve.

Mr. NEILL: In connection with the matter he mentioned to the hon. member for Nanaimo, is the minister fully informed of the representations made to him in connection with the hospital at Tofino?

Mr. CRERAR: Yes, we have full information on it, but as I said a moment ago I am not in a position at the moment to say what particular hospitals will be assisted. That requires a good deal of care and examination into all the relevant circumstances. It is the intention that this money shall be spent where it is most needed and will do the most good, according to the best judgment of the officers of the department and myself.

Mr. TAYLOR (Nanaimo): For years the existing hospital at Duncan has been taking care of these Indians; the situation is really desperate and the necessity for building and enlarging is due in large measure to the need for special provision for the Indians. The request has gone forward to the minister's department, and I shall be glad if special consideration is given to it.

Mr. CRERAR: I assure my hon. friend that it will have full consideration.

Item agreed to.

To provide for the erection of Indian schools, $70,700.

Mr. SENN: Will the minister give some explanation of this item, and where these schools are located or to be located?

Mr. CRERAR: The points at which these Indian schools will be erected, as given me by the officers, are as follows: Restigouche Indian day school. This school is located on the Restigouche Indian reserve, No. 1, Bonaventure, Quebec.

The next is in Ontario at Christian Island, and one at Rabbit Island, and one at Mattagami and one at Seine River.

In Manitoba there is one at Poplar River, one at Deer Lake, one with a rather peculiar name, Uponcashing, one suggested for Sandy Bay; there is some difference of opinion with the authorities as to whether or not a day school should be erected there.

Mr. BENNETT: Is that the one where they want a boarding school?

Mr. CRERAR: They have a boarding school now, but it is pretty well out of date. I am inclined to think the boarding school is what they need, but we have not funds for it this year.

In Saskatchewan it is proposed to erect one at Montreal Lake. There is another at Ahtahkakoops; I do not know where that is located.

In British Columbia it is proposed to erect at Bella Bella, an Indian school building, another at a place with an unpronounceable name, Gitladamicks, and another at Kitselas.

In the Northwest Territories there is one at Fort Ray.

These are the points where the officers of the department, after going into the matter, have suggested that these schools should be built. I should say that personally I have not had an opportunity to review all these particular cases, and there may be some local circumstances that might change the decision, but these are the proposals at the present time.

Mr. BENNETT: The sum of $70,000 will not go very far in building all these schools, will it?

Mr. CRERAR: Well, they are all day schools.

Mr. NEILL: I would suggest that the department think seriously before they start a policy of abandoning or departing from the policy of boarding schools in favour of day schools, although of course the minister did not exactly indicate that. I heard some mention, before the present government came into office, that that was the idea among the officials. As far as the west coast of British Columbia is concerned this would be a great mistake. I have been long familiar with the situation and there is no question that the boarding school is the most successful method of educating Indian children. I have seen children who have been ostensibly attending day school for eight or nine years; yet they did not know the first words of English and could not add two and two together. It is not that they lack intelligence; it is that when they are at home in their villages they are allowed to do as they like. The father would never think of saying to a child: You go to school. It would be: Do you want to go to school? In addition, there is the constant moving about. Indians follow the run of the fish in the season and often move away to places where there is no day school. When they are put into a boarding school they are under constant supervision and do not go out except in the holidays. They get a first-class education, comparable with some of what our own children would get, and when they leave they have had thorough instruction and are able to make their way among the white people, working for canneries and so on. It is hardly right even to say it would be more expensive, because nothing is cheap that is almost entirely useless. It may be that in some of the big reserves on the prairies where they have settled communities, a day school is appropriate, but in a large part of the western portion of the British Columbia mainland and Vancouver island I earnestly hope that the government will continue to provide the boarding schools. The Indians now realize the benefits of the boarding schools. There was a time when they objected to parting with their children, as Indians naturally would. The children would be away months at a time and parents would not see them. However, they now realize the benefit of these schools, and my practical knowledge has been that more money spent on the day schools would be to a great extent so much money thrown away.

Mr. CRERAR: I believe I agree largely with the remarks of the hon. member. At the same time I must confess I have not yet had an opportunity to study the whole matter thoroughly. So far as I have been able to ascertain, the various churches under whose auspices many of the residential schools are conducted are, I believe almost without exception, in favour of residential schools, and for the reasons indicated by the hon. member for Comox-Alberni. When we were considering the estimates questions of cost were involved. I have had requests for the erection of residential schools, one of which, located in northern Mantoba, was destroyed in 1930. It has not yet been replaced.

Mr. BENNETT: We never had the money to replace it.

Mr. CRERAR: That has been the problem. There are instances where the church authorities entrusted with the conduct of many of the schools have suggested day schools to suit particular needs. I have not yet had an opportunity to make a thorough study of the different aspects of the question, and quite frankly I hesitate to give any judgment until I have had such opportunity. I understand the schools indicated in the estimate will render a definite service in the communities in which they will be built.

Mr. NEILL: In fairness I must say that there is one service which these day schools render, however inefficient they may be otherwise. They are always under the control of churches, and they form a sort of recruiting ground for boarding schools in districts perhaps fifty miles away. Also, as a rule missionary work is done, and some elementary ideas in religion are taught. They do some good in that connection, but more particularly as a recruiting ground so that the children may be sent to boarding schools when they reach the proper age. But as to teaching them, in comparison with boarding schools the day schools are not in the picture at all.

Mr. McIVOR: Having taught in an industrial Indian school I should like to give hon. members the benefit of my experience. There can be no doubt about the value of the surroundings in these schools. I noticed, however, that when the spring came and the tents of the older Indians were placed on the ground a feeling of restlessness would take possession of the children. Rules had to be made so that the children could not visit the tents, because if they did they had to be properly cleaned when they came back to school. It is a fact however that these schools have proved of great value in Saskatchewan. I taught in the school at Regina.

Item agreed to.

To provide for construction of roads, bridges and other engineering works on Indian reserves, $24,512.

Mr. PERLEY (Qu'Appelle): Crooked lake is on the north side of the Crooked lake agency. The reserve is on the south side of the Qu'Appelle valley, and contains some beautiful lakes. For the last fifteen or twenty years a number of campers have located on the south side of the lake. I believe some of them have leased small lots and built cottages. There is no satisfactory road to get to the cottages. The hill which must be descended is very dangerous, and any improvements which have been made on it have been at the expense of the cottagers and campers. At the top of the hill there is a good landing field, and on Sunday afternoons it is a common sight to see four or five aeroplanes on the field. People come in from North Dakota and land their aeroplanes on the top of the hill, after which they go down to the lakes to fish and bathe. It is one of the outstanding beauty spots in Saskatchewan, and is worthy of development. The government is spending a large amount of money in the development of national parks, and I would ask the minister to investigate this beauty spot in the Qu'Appelle valley and ascertain whether or not it would be possible to have a road built to the lake. It would have to be about six miles long, and would run through the agency. Sometimes as many as a hundred cars visit the lake on a Sunday, and they must pass through the reserve. It is annoying to the Indians and to the agent to have people passing through the reserve, and this traffic no doubt interferes with the agency. When the Indian Act was amended two years ago there was a provision for the expropriation of land in a reserve for road purposes. If it was handed over to the provincial government, they might share some of the cost of building the road. The construction would be through a level section of country, and would not be expensive. I am asking the minister to give the matter consideration, and to ascertain whether some money could be spent to develop this beauty spot in Saskatchewan. The lakes are teeming with fish, and there are splendid bathing and boating facilities.

Mr. CRERAR: The representations made by the hon. member will certainly receive consideration. In looking over the suggested expenditures under the vote I find the work he indicates is not included, but it may be possible to arrange expenditures so as to meet his request. All I can say is that we will give the matter consideration.

Mr. GREEN: I believe the minister has received a letter from the parks board of the city of Vancouver asking that his department clean up Kitsilano reserve, which is situated almost in the centre of the city. It is at the end of the Burrard street bridge, which connects the business district with one of the residential districts. There are no Indians on the reserve, nor have there been for about twenty-five years. There is considerable second growth, scrub timber, old stumps and garbage on the land, and it is really an eyesore. Furthermore it has been used as a hideout for criminals. I suggest the request of the parks board is reasonable, and federal authorities should get busy at once and have the reserve cleaned up. The

expenditure would not be great. This year the city of Vancouver is celebrating its golden jubilee, and it is most important that the work be done quickly. Has the minister made any provision for it?

Mr. CRERAR: My deputy tells me that there is no provision under this vote for the matter my hon. friend mentions, which I understand is now the subject of correspondence with the city authorities in Vancouver. I do not know just what amount would be involved in my hon. friend's proposal, but I am afraid I cannot hold out much hope that any very considerable expenditure may be made upon it under this vote.

Mr. GREEN: If the minister will confer with his colleague from Vancouver Centre (Mr. Mackenzie) he will find that this is really a project that should be undertaken promptly. The amount involved would not be very large. I suggest that the department ascertain by wire what the cost would be, and the work might then be done within the next few weeks. The jubilee celebration opens on the first of July, and right in the city of Vancouver across from the Seaforth armoury you have this big Indian reserve. It is an eyesore and should have been cleaned up long ago. Certainly now is the time to do it; and I would ask the minister to look into the matter within the next few days and try to have the reserve cleaned up certainly before the end of June.

Mr. CRERAR: I shall be very glad to look into it, but I would point out that we receive requests in very large numbers for work of one kind and another—schools, roads, hospitals and everything else associated with the Indian department—and we have only a certain amount of money to spend. We try to spend it where in our judgment it can most usefully be spent. I shall, however, consider the request made by my hon. friend, and if we can find a little cash out of this vote with which to make the beautiful city of Vancouver a little more attractive to the countless numbers who will probably visit its jubilee celebration, we shall be glad to do so.

Mr. GREEN: I do not suppose a similar situation exists anywhere else in Canada. It is really ridiculous. There you have an Indian reserve in the centre of the third largest city of the country, and certainly it should be kept in proper condition.

**Item agreed to.**

DEPARTMENT OF THE INTERIOR

Projects Already Undertaken

National parks—
Administration building at Banff, Alta., $38,000.
Other buildings — construction and repairs, $115,500.
Landing fields—construction, $5,000.
Municipal services—construction, improvements and extensions, $27,500.
Recreational areas—extensions and improvements, $9,200.
Roads—construction and repairs, $109,000.
Townsite development — Kootenay park, $2,500.
Engineering supervision and general, $12,500.
Relief—permanent residents of the parks, $102,000.
Relief—single homeless men, $50,000.

Mr. BENNETT: My information is that the last item of $50,000, for the relief of single homeless men, has all been spent, and that the $102,000 for relief of permanent residents of the parks was spent when the winter was over. The money for engineering supervision is nearly all spent, and the amount for road construction and repairs was largely expended last fall. I know that the administration building at Banff is practically completed, as well as other buildings and parks throughout the country that were under contract. I think most of them have been completed. How much of this item of $471,200 is unexpended? I should be surprised if there was much of it left.

Mr. CRERAR: This covers projects already undertaken under the Public Works Construction Acts.

Mr. BENNETT: I know; that is what I am talking about.

Mr. CRERAR: These are the amounts required to meet the expenditures as from the first of April.

Mr. BENNETT: I am afraid, Mr. Chairman, that is hardly the fact.

Mr. CRERAR: That is the information my officers give me.

Mr. BENNETT: I think they had better look at it again. For instance, take the last two items, $102,000 for relief, permanent residents of the parks, and $50,000 for relief, single homeless men. There was an order in council that appropriated a certain amount of the money under the Public Works Construction Act to the Department of the Interior for these two purposes, and that money was expended during the winter. These are projects that are already undertaken. I want to know how much of this money is

unexpended, because these are estimates for the year ending March 31, 1937, and they have already been included in the public works items. The money has already been voted once for that purpose by parliament. The auditor general has been making payments on the authority of the Public Works Construction Act, and these payments the Department of the Interior had placed at its disposal within the provisions of the act under an order in council by which certain sums of money were set aside for certain definite purposes. The money has been spent and cheques have been issued by the department. The auditor general is charging them up against the appropriation. I am asking how much of that money is left at this time.

Mr. CRERAR: Under the Public Works Construction Acts of 1934 and 1935, there was $570,300 unexpended, $168,000 under the 1934 act and $402,300 under the 1935 act.

Mr. BENNETT: At what date?

Mr. CRERAR: March 31, 1936.

Mr. BENNETT: But since then, within the last two months, we have spent money on that account, and that is what I want to know about. Relief has been paid in the parks, to my knowledge, and likewise expenditures have been made on the administration building under contract at Banff and on buildings at other points.

Mr. CRERAR: The only thing paid subsequent to March 31 out of the votes under the Public Works Construction Acts of 1934 and 1935 are bills that were due by March 31 or progress estimates made at that time. The amounts necessary since then to complete these various projects already undertaken are in this vote. The decision was reached by the government, whether wisely or not, not to continue payments on these projects under the Public Works Construction Acts subsequent to March 31, 1936, and consequently it was necessary to include in these votes the amounts estimated to complete the various undertakings. That is the explanation of these items. With reference to the last two items, $102,000 for relief of permanent residents of the parks, and $50,000 for relief of single homeless men, to which my right hon. friend referred, these are largely estimates. The last item in the vote is to cover relief requirements for April and probably May. The other one is for the present fiscal year.

[Mr. Bennett.]

Mr. BENNETT: It could not be the present fiscal year because these are projects already undertaken. The minister cannot say that there is a project already undertaken in connection with relief for the fiscal year beginning April, 1936, and ending March, 1937.

Mr. CRERAR: Technically, my right hon. friend may be quite right, but I am informed that the vote is to care for these relief requirements during the present fiscal year. I may say that I hope to get the relief costs in these parks down very substantially for the next winter season.

Mr. TAYLOR (Nanaimo): Has the minister anything to disclose in connection with the Ivy's Green area north of Ladysmith? At one time this was an Indian reservation, but there is no residence on it now and the Ladysmith people have petitioned to have this area made a park.

Mr. CRERAR: So far as I am aware there is before the parks branch no such request as that referred to by the hon. member.

Mr. TAYLOR (Nanaimo): For many years they have been using this area as a park, but commercial interests have been trying to secure it for oyster beds.

Mr. CRERAR: So far as I am aware no request has come into the parks branch for the establishment of a park in that area.

Mr. TAYLOR (Nanaimo): What would be the attitude of the minister should the people of Ladysmith ask that this be set aside as a park?

Mr. CRERAR: I think it would be scrutinized very carefully indeed.

Mr. TAYLOR (Nanaimo): Would a commercial application be scrutinized more carefully?

Mr. CRERAR: No, I would not say that it would.

Mr. BENNETT: I am very grateful to the minister for the clear explanation he gave in connection with item 320, but he will observe that that part of the actual vote of $471,200 which is represented by progress estimates or certificates of expenditures made before March 31 must be deducted. I do not know whether he has these particulars before him, but it is obvious that the amount will thus be reduced. First of all the item is practically $570,000; you expend $100,000,

which leaves practically $471,000, and from that stands to be deducted all progress estimates and any expenditures which are certified as having been made anterior to March 31, 1936. I just wanted to know if the minister had any idea how much this was.

Mr. CRERAR: I am informed that the amounts mentioned here are the estimates which are necessary in the judgment of the officials of the department, after making allowance for payments and progress estimates under the Public Works Construction Acts.

Mr. NEILL: The hon. member for Nanaimo (Mr. Taylor) represents the riding next to mine. I have the greatest respect for him, but I must endorse what was said by the minister when he told the committee that he would consider with a great deal of care an application for a park in the area referred to by the hon. member. I hope I shall not be accused of selfishness when I suggest that the place to put this park is in the district of Comox-Alberni. The parks board has already four mountain parks in British Columbia; they do not need any more of that type, but what they do need is a park on the beach level to accommodate, not only tourists from the United States, but our own men and women from the prairies who have been suffering from the high altitude. A beach park in British Columbia would permit these people to have even a brief holiday at low altitude. I do not know whether there is such a park in Canada; there certainly is not one in British Columbia. Such a park is needed to round out the policy of having parks indicative of the various portions of the dominion.

I had the privilege of a conversation with a member of the parks board to whom I outlined this idea. I shall not go into the details of where this is, but the area I have in mind is ideal for the purposes. It is only a small area, but there is nearly a mile of beach composed of very fine sand with no stones. It is quite shallow so that the water gets warm enough for bathing and is safe. It is close to the public highway and it would not be necessary to expend large sums to construct a road. We know what the department expends in making roads into some of the interior parks in British Columbia. There is some very good trout fishing close by to provide entertainment for the older people. Behind the beach is grass with a number of scattered trees, something very near to the general idea of an English park. The whole area could be obtained on very reasonable terms. The acreage is comparatively small, but it is ample for the purposes. I know it has been the policy of the department in years gone by, and no doubt it still is, to get a beach of this kind and I know of no other beach in British Columbia that can be obtained, except at an enormous cost.

There is one in my district which I should like to advertise, a place called Long Beach, but the conditions are not so ideal. The water is colder; there is an undertow and the area is more difficult of access. In years to come it will be developed as a scenic resort, but this other place to which I refer is easy of access now. A man could leave Vancouver in his own automobile at eleven o'clock in the morning and be in this park at three o'clock in the afternoon. I have an intimate knowledge of this area. I know nothing whatever against it as a park and I believe it has everything in its favour. I heartily commend it to the parks branch and the minister. As I say, other sites have been put forward, but I do not know of any as perfect as this one. It is close to the highway; electricity is available and everything is there to make it a perfect park.

Mr. STIRLING: Where are the landing fields to be constructed under this vote.

Mr. CRERAR: The landing field at Banff national park which was partially constructed will be completed under this vote.

Item agreed to.

Forest service—water supply system, building construction and repairs at Petawawa and Acadia forest experiment stations, $3,500.

Mr. BENNETT: This is to complete the water supply systems?

Mr. CRERAR: Yes.

Mr. BENNETT: Certain work was undertaken.

Mr. CRERAR: Yes.

Item agreed to.

Northwest Territories — continuation of development and improvement of landing fields and air harbours, $9,800.

Mr. BENNETT: What is being done in the Northwest Territories under this item? I remember that under the Public Works Construction Act provision was made for certain work, which was undertaken by the Department of the Interior, but I should like to know what work was actually started, which requires $9,800 to complete.

Mr. CRERAR: The landing fields and air harbours to be improved are at Fort Smith, Resolution, Hay River, Providence, Simpson,

Laird, Norman, Good Hope, Arctic Red River, McPherson, Aklavik, Cameron Bay and Rae. It is in connection with the completion of the work at the points I have mentioned.

Mr. BENNETT: What harbours are provided for seaplanes?

Mr. CRERAR: I am informed that half of them are seaplane bases.

Mr. BENNETT: The minister referred to air harbours.

Mr. CRERAR: Air harbours and seaplane bases are the same thing.

Mr. BENNETT: I know that. I want to know what harbours have been provided for. Harbours are equipped of course for the purpose of permitting seaplanes to come to rest, and landing fields are entirely different. But I wanted to know what harbours had been provided for.

Mr. CRERAR: There are ten hydroplane bases and three winter landing fields.

Mr. BENNETT: All mentioned?

Mr. CRERAR: Yes.

Item agreed to.

Yukon Territory—highways, bridges, landing fields and air harbours—construction and repairs, $65,000.

Mr. GREEN: What taxes are levied by the Yukon territorial council? I believe they levy some taxes for certain purposes in the Yukon.

Mr. CRERAR: There are taxes levied for local purposes and that is supplemented by the grant from the federal government so as to give them sufficient to carry on their administrative work and do other necessary work.

Mr. GREEN: If the old age pension scheme were made effective in the Yukon territory, where would the money come from? Would that money be raised by the Yukon territorial council or would it come from the dominion government? As the minister knows, the provinces pay one quarter of the old age pension. If the scheme were made effective in the Yukon, where would that one quarter come from?

Mr. CRERAR: It would come from the territorial government, and I assume in the last analysis it might really be provided for by the federal government.

Mr. GREEN: The federal government would really have to pay the whole shot.

Mr. CRERAR: It is federal government territory.

[Mr. Crerar.]

Mr. GREEN: That would not come out of local taxes raised by the Yukon council.

Mr. CRERAR: I could not say, speaking offhand.

Item agreed to.

Other Projects

National parks—
Buildings—construction and repairs, including buffalo abattoir, $20,000, $100,000.
Forest and game conservation works, $25,000.
Municipal services—construction, extensions and improvements, $25,000.
Recreational areas—extension and improvements, $25,000.
Roads—construction and repairs, including Golden-Revelstoke highway and improvements to main tourist routes from international boundary to Banff, Yoho and Kootenay parks, $850,000.
Townsite development, $25,000.
Wharves and beach protection works, $13,200.
Development of new parks—maritime provinces, $140,000.
Miscellaneous, $25,000.

Mr. BENNETT: This item includes one detail which we are not yet in a position to discuss inasmuch as we have not made any provision for new parks in the maritime provinces. The late government felt that the maritimes had a claim to national parks but the financial position was not such as to warrant the expenditure. That phase of it I think will have to be discussed. It involves the expenditure ultimately of many millions of dollars for upkeep and, as I say, we did not feel that we could do it. In view of the picture disclosed by the minister I desire to discuss that item at some length. As there is yet no provision for the parks that item will have to stand. The other detail can be dealt with. I would ask the minister whether there is still standing in the main estimates an item with respect to parks which would enable me to discuss one matter I desire to bring to the attention of the committee. I could do it then.

Mr. CRERAR: None of our parks estimates in the main estimates is through.

Mr. BENNETT: Under those circumstances I will not discuss now an item which I wish to deal with in connection with electricity in western Canada, at Banff. I can do that when the main estimates are before the committee. Perhaps the minister would give us some idea of what he has in mind in connection with buildings, especially as to the necessity for spending $20,000 on a building in which to kill buffalo. That work heretofore has been let out by tender. Apparently we are now to start in the slaughter business ourselves. Are we going to sell the carcasses, or is it intended to continue the tender system of disposing of them?

Mr. CRERAR: I suppose we shall continue the tender system, which has been followed in the past. This item is inserted for the reason that the abattoir which was in the buffalo national park was destroyed by fire last November. The result was that, not having the facilities, we were unable to slaughter buffalo. This is merely to replace the building that burned down.

Mr. BENNETT: Some were shot at Wainwright at one time.

Mr. CRERAR: I do not profess to have expert knowledge of the subject but I know that the slaughter house which had been there for several years burned down last November. This item is to replace that building.

Mr. BENNETT: What other buildings are in mind in connection with that item?

Mr. CRERAR: There is a fire hall at Jasper, a community hall addition at Prince Albert, and the rest of the vote is for similar structures of various kinds required for administrative purposes, recreational areas and camp grounds. I cannot give the details.

Mr. STIRLING: Can the minister give some information with regard to what is usually known as the Big Bend highway, the Golden-Revelstoke highway referred to here? What portion of the $850,000 will be spent there? Is the work proceeding at the present time? Is the eastern leg of it quite completed and the bridge built? Is the minister proposing to proceed with the western leg to Revelstoke?

Mr. CRERAR: As regards the eastern leg of the Big Bend highway, it is pretty well on to completion; I am advised it is estimated that about $70,000 will complete the east leg of the road. On the western leg, which is a much more expensive part, comparatively little work has been done. I am informed that something a little in excess of a quarter of a million has been spent on it by this department. The estimated cost of completing that western leg is almost $2,000,000. That is a matter which I hope to discuss with the Minister of Public Works for British Columbia, who is in the city at the present time. I think the federal government is committed to complete that project.

Mr. STIRLING: "Is committed"?

Mr. CRERAR: There is no formal agreement to that effect.

Mr. BENNETT: No, but we said we would do it.

Mr. CRERAR: That is the deduction to be drawn from letters and telegrams.

Mr. BENNETT: We said that if they did not, we would do it.

Mr. CRERAR: I was not aware of that. Might I ask my right hon. friend if there was a limit as to time?

Mr. BENNETT: No. This is the position. The minister will recall that there is outstanding an agreement between the province of British Columbia and the dominion whereby the province was to contribute to the cost of the completion of the highway in that area which was within the provincial boundaries; we were to pay the entire cost until it came up to a certain point. Unfortunately the province felt that they were not in a financial position to do their share, and we decided that, inasmuch as this road must be completed if we are going to complete the highway through to the coast, we would advance the money for that purpose even though we ourselves had to oversee the construction work. The Prime Minister of British Columbia represented to us his inability to secure funds for the purpose, although they had ample with which to construct the bridge across the Fraser river. Apart from that, we concluded that inasmuch as this was a national undertaking, and that it would be blocked entirely if the road were not finished, we should assume the obligation. There remains to be built a small extent of road linking the extreme westerly side of the road on the east side that is now completed, and the completed portion on the coast side, and until that gap is filled up you have no road at all. That is the story in a nutshell. I think we told Mr. Pattullo that we would try to make the necessary advances to enable the work to be done. My memory is—and I speak in that regard entirely subject to correction—that we felt that as we were carrying on the work, and had the facilities, possibly we had better complete the work for them under the terms of the agreement; in other words, take their place for the moment under the agreement and complete the road. I speak guardedly with respect to that.

Mr. CRERAR: What agreement does my right hon. friend refer to?

Mr. BENNETT: The original agreement made between British Columbia and the dominion contemplated the dominion undertaking a certain portion of the completion of that highway, and the province was to do its part. As a matter of fact the province did a certain amount of work, and then was unable to continue, but there has been no delay, because we have not completed, or had not completed when I was last informed of it, all the work on the east side. I understand

from the minister that about $70,000 is still to be expended. I think everybody agrees that it is an extraordinarily fine piece of road. It was largely under the supervision of the gentleman who is now the deputy minister; that remark is not intended by way of compliment, but that is the fact with respect to that piece of road.

Mr. CRERAR: The Boat Encampment is the apex of the road.

Mr. BENNETT: Yes. It was west of that where the province was to do the work. I think the minister must have in his files the original agreement made between British Columbia and the dominion.

Mr. STIRLING: Four or five years ago.

Mr. BENNETT: Yes, four or five years ago.

Mr. CRERAR: Made by Hon. Charles Stewart, I think, in 1929.

Mr. BENNETT: Quite so; and, I think, the government of Mr. Tolmie. At any rate this is the fact, that the province recognized there was a certain obligation outside the park area altogether. The minister realizes that this has to do with areas outside the park; that we are doing the park side of it on the east end. What is the last town that is the boundary of the park? Is it Revelstoke?

Mr. CRERAR: The East leg ends at Canoe River.

Mr. BENNETT: That is right. From Canoe River west the obligation rested upon the provincial authorities.

Mr. MACKENZIE (Vancouver): That is correct.

Mr. BENNETT: Their inability to finance led us to the view that, inasmuch as the work had to be completed if it was to be of any value, we should take over their position under the agreement. I think it was suggested that, inasmuch as we had been building the road under contract up to Canoe River, we might as well continue the work; but it was never agreed that the expense of the work should be borne by the dominion, if that is what the minister has in mind, and I was going to ask him to what extent this contemplates the completion from Canoe River west of the road so as to make it available for traffic.

Mr. CRERAR: As I understand the history of this undertaking, the government that was in office prior to 1930 reached an agreement, through Hon. Charles Stewart, who was then Minister of the Interior, to construct the east leg of the Big Bend highway, carrying it from Donald to the apex of the bend, which is known as Boat Encampment. That work has been very far advanced towards completion, and it is estimated that $70,000 will complete it entirely. A good portion of the money is required for a bridge over the Columbia river at the apex. So far as the west leg is concerned the arrangement perhaps may be as stated by the leader of the opposition.

Mr. BENNETT: I am speaking only from memory. I have not seen the agreement for a long time.

Mr. CRERAR: Well, I think that may be correct. The British Columbia government, according to my understanding, were to construct the west leg, but in 1935, by arrangements between the provincial government and the then federal government, the dominion assumed the responsibility of proceeding with the west leg. That will involve an expenditure altogether of about $2,000,000; I think $1,950,000 is the estimated amount required.

Mr. BENNETT: But there is no settlement of the question of financial responsibility.

Mr. CRERAR: My understanding is that that was to be done at the expense of the federal government. Am I correct in that impression?

Mr. BENNETT: Part of it was undertaken in connection with relief work. That part of it was charged against relief. But my memory is that no conclusion was arrived at with respect to the relieving of the province of its obligation to complete the west leg.

Mr. MACKENZIE (Vancouver): Oh, yes, there was.

Mr. BENNETT: There was, clearly, with respect to what was done under relief; we assumed all responsibility for that, but it was a question of whether or not we were to bear the cost of completing it.

Mr. MACKENZIE (Vancouver): There certainly was an exchange of telegrams and correspondence to indicate that that was the understanding.

Mr. BENNETT: I remember the discussion, but as I say—

Mr. CRERAR: The statement of the Minister of National Defence is correct. I think a reading of the communications exchanged

between my predecessor in the Department of Interior and the Minister of Public Works and also the premier of British Columbia, in the summer of 1935, gives—

Mr. BENNETT: Oh, I think that is so.

Mr. CRERAR: —evidence that the expense was to be borne by the federal government. Now the question arises as to the time in which this was to be done. I can find nowhere any time limit as to when the work was to be completed.

Mr. BENNETT: There was, I think, in the original agreement with the province.

Mr. CRERAR: So far as the east leg was concerned.

Mr. BENNETT: I thought, as to the west leg too.

Mr. CRERAR: I am informed that in the agreement covering the construction of the east leg there was a time limit. There is another important question which I might mention that has been giving me some thought. We have spent very considerable money—it would probably run to nine or ten million dollars—on the Banff park and parks adjacent.

Mr. BENNETT: That is from their inception?

Mr. CRERAR: From their inception.

Mr. BENNETT: I should think that is right.

Mr. CRERAR: Yes, I am informed that the expenditure on the Banff park alone is somewhere between nine and ten million dollars.

Mr. BENNETT: Over a period of forty years.

Mr. CRERAR: Last year the total number of American tourists' cars registered in Banff was, I think, 4,800. The difficulty in getting tourists from the United States to this very magnificent park—it is one of the finest in the world—is the lack of good roads between the international boundary and the park. I have been told by different people from that section of the country who are aware of the circumstances that it is not an uncommon thing for American tourists, leaving their hard-surfaced roads south of the international boundary and entering Canada, to proceed a few miles on a gravel highway with dust and high wind, and then turn round and go back. One thing that has impressed itself on my mind is the necessity of getting a type of road which will do away with the dust nuisance between the international boundary and Banff national park. If we could do that, probably we would increase the number of American tourists coming to Banff four or fivefold. The problem, of course, is to find the money to do this work. There is also the problem to which the leader of the opposition referred I think once before, the matter of getting an arrangement with the provincial government concerning a road outside the park boundaries. We do not wish to be committed indefinitely to the principle of building provincial roads. That matter is one which should be considered very fully. I am not at the moment in a position to say more to the committee than this, that the question of getting dust-free roads into our national parks is receiving the careful consideration of myself and the officers of the department, and if some arrangement could be made we might for the time being at any rate cut down the expenditure on the west leg of the Big Bend road, use some of the money to get rid of the dust nuisance on the roads leading to the national park at Banff and adjacent parks, and thereby greatly increase the revenue that would come to the province and the country.

Mr. BENNETT: Perhaps the minister has not given very great detailed attention to the matter for this reason: The number of points at which tourists enter Canada from the United States is considerable, and if you are going to take care of one you have to take care of all. For instance, there is the Waterton lake park; the tourists come in south of Lethbridge. That park is in just the same position, because you have there roads which are gravelled, as free from dust as you can get a natural gravel road built under the conditions under which those roads were built. Then, going further west you come to Macleod. The road from Macleod to Fernie was built by the province of Alberta; it is not a hard-surfaced road, but is an excellent road with very little dust. From there it leads south to the international boundary. But when you get further west, the traffic being somewhat limited at the moment, those roads are filthy with dust. You cannot drive along them for more than a few miles without being choked with dust yourself and your car covered with it. Now, which of those are you going to take care of? Are you going to put a coat of some plastic material over the top of one, or two, or three? The claims, for instance, in con-

nection with Waterton park, to which large numbers come from the United States, are very considerable. The reason there has been a falling off in the number of tourists visiting the Banff and Kootenay parks is very clear; it is because when people get in they cannot get out again without retracing their course. Remember, the distance from the international boundary to Banff park is substantially the same as the distance from the further west park, I do not know what name is given it now, whether they call it Kootenay or Yoho valley. In the United States there are hard-surfaced roads to the boundary. The reason for the falling off in the number of tourists at Banff is that the road to Jasper is not yet completed, and the road west is not completed; they cannot get to the coast; they have to strike south from Kootenay park or whatever it is called. Part of the roads within the park are covered with some dustproof substance.

But my difficulty always was—and I think it is the difficulty the minister has—if you select one road, what about the others? They are so far apart that one road will not serve. It is no good to put a concrete surface or plastic material on the road from Waterton park south in the hope that road would serve that vast territory south of the park. There is a very fine park there in British Columbia, connected with the Banff park. There is a continuous road from Banff park into it, an excellent highway. What we were always hoping long before we were in office as a government was that that road would be put through to the coast so that the people who come to Banff would be able to get out by going through to the coast on this Big Bend highway. That is or shortly will be finished up to Canoe River, but if operations are discontinued there we shall not have the road any further advanced, because the road cannot be used unless that link is completed. The only way in which Canadians can get through to the coast now is to go south into the United States; that is made necessary by the incomplete state of the road on the west leg of the Big Bend.

The Minister of National Defence says that telegrams clearly indicate financial responsibility. I do not think it went as far as that; my memory is that we undertook to find the money to enable the province to do the work, and we made it clear that as far as relief work is concerned that would be charged against our own appropriation and the province would not be liable. But with respect to the balance of the work done in pursuance of the province's undertaking I do not think there is anything which makes it clear that the money was not to be refunded by the province at some time. I would be surprised if it were so, but it may be that it is, because the British Columbia provincial authorities said frankly that they did not know when, if ever, they would be in a position to see their promise implemented.

I wholly agree with what the minister says, that something must be done to rid the parks of the dust nuisance. The highways leading to the parks, however, are completely under provincial control. For instance, people who come in from the south motor up on the Macleod highway to Calgary; there is no other way by which they can get into that park reasonably at the present time. That is not a hard-surfaced road. Once they get to Calgary the road from Calgary to Banff, which was very dusty, has been oiled. Shall we undertake to eliminate the dust nuisance all the way from Calgary to the boundary? I refer to the road from Calgary to Macleod and then from Macleod south. Shall we eliminate the dust nuisance on the road from Macleod west to Fernie? I motored from Fernie to Macleod on one occasion, and the dust was not as bad as I had expected, although it was still unpleasant. Shall we do that, and then shall we provide an oiled, hard or plastic surface on roads leading from the parks in British Columbia to the United States? If so, the task will be a tremendous one, and at once we will invite discussion and invidious comparisons will be set up. Statements will be made that one part of the country has been served and others have not. That has been the difficulty. I make these observations only by way of pointing out that one cannot get into Banff park with a motor car, as I understand it, unless he travels a substantial distance from the boundary, up to the park. At the present time Alberta is spending a large sum of money on the improvement of these roads.

This is equally true when we come to the province of Manitoba, because in that province there is the main highway from the park south to the boundary. No doubt the minister is familiar with the road to which I refer. A large sum of money was spent in an effort to make it free of dust. The Minister of Public Works for Manitoba pressed the necessity of spending $1,100 or $1,200 per mile for the purpose of eliminating the dust nuisance and attracting visitors to the park. I was astonished when I learned the number of people from the United States who visited the park in Manitoba. Then, there are other visitors from surrounding areas in the western provinces. The effort to eliminate dust will have to be on a most generous scale and cover a

tremendous number of roads if the government is not to incur the resentment of others who are not thus served. That has been a real difficulty. I agree that if we are going to have people come to the country, we must do something to eliminate the dust.

Mr. STEVENS: I am tremendously interested in this matter, because two of these parks are really in the constituency of Kootenay East, and Banff park adjoins. The three parks are close together and closely connected. Access from the American border to the Kootenay park, through Radium, gives access to all three parks. On the other hand there is the desire of tourists to return by some route other than the one by which they entered. There is no question that if they were given access to these three mountain parks they would visit them in large numbers. After all, Banff park, the oldest and most highly developed, together with Yoho and Kootenay parks, form the major portion and basis of our great parks system. Access could be given to these parks through Alberta, around by Calgary to Banff, and then through Kootenay park and the Radium area south to Kingsgate. I quite agree that a considerable distance is involved, and that it opens up the question of connecting other national parks with the international boundary. My own opinion is that we ought to adopt as a national policy the principle of giving access to our national parks to the great population south of the boundary line. Because, now that the motor car is used to such a large extent in tourist traffic, it is not sound business to provide inadequate facilities for automobile tourists. There was a time when the Canadian Pacific Railway gave virtually every access to Banff park, but that day has long since passed. To-day we have a great tourist traffic in which the automobile is the means of transportation.

Here is something which is being overlooked: every motor car which enters the park gates pays the sum of $2. When motoring around these roads I have had the opportunity of talking to scores of tourists, and, while I shall not use strong language, I shall be content with saying that they damn Canadian roads and declare they will never come back. There is no doubt that tourists go back to the United States and tell their friends not to come to Canada because our roads are bad. This is a real danger. I have motored many times along the road running south of Calgary, and also on other roads in that locality. Particularly in British Columbia in many places the roads run along the sides of the mountains, and the dust is so thick that motoring is dangerous; on occasions one cannot see for some time after he has met another motor car. One overtakes a car almost at the risk of his life, because in doing so he must pass through a cloud of dust.

I suggest that the minister be not deterred by the fact that there may be claims for roads to other parks, because I believe we should adopt this road building as a progressive national policy.

Mr MACKENZIE (Vancouver): One in every province.

Mr. STEVENS: We could make it one in every province, and I would extend it until we had roads efficiently and effectively connected with international boundaries. After all, the tourist trade is a real industry, and is not as unimportant as we used to think it was in years gone by.

People particularly from the congested areas in Ontario and Quebec go in large numbers to the United States. They travel for the pleasure of motoring, and carry with them a certain amount of wealth that is left in that territory. Our hope is that we may draw from the great republic to the south of us, and thereby bring to Canada a substantial amount of wealth. Under present circumstances we cannot do it. From my intimate knowledge of the situation I am positive that we could not only double but quadruple—and possibly more than that—the traffic into our national parks. I believe the increase would be shown immediately after people in the United States learned that our roads were improved. Large expenditures would be necessary, but the number of cars that would come to Canada and the direct cash revenue to the parks that would result would in substantial measure meet the interest charges on the investment.

In securing access to Kootenay, Banff and Yoho parks on the west side, tourists must pass through the Columbia valley, a farming district almost as isolated as the Peace River country, and possibly one of the most isolated farming sections in Canada. In the summer months the tourist traffic forms a good market for local produce such as milk, butter and eggs. Increased tourist traffic would be a godsend to the farmers in the valley. I would urge the minister to give earnest consideration to this point.

With reference to the Big Bend highway, may I say that the dominion government staff or authorities have done a wonderful job on the east leg of the highway. I have been over it several times; I have watched with keen interest the progress made, and I want to repeat that they have done an excellent job. They have opened up a country that for beauty of scenery, hunting and sporting facil-

ities, and general attractiveness is, I think, unequalled anywhere in the whole mountain area of British Columbia. It is a marvellous country, and it will be a most attractive route for tourists, in addition to the attractions of the parks.

Last year when I heard that the provincial government and the dominion government had come to an understanding about the west leg of that highway I was naturally pleased because it is highly desirable to complete that highway. Unfortunately the work which has been done by the provincial public works department in the years that have passed has not been of the standard set by the dominion government on the east leg; there is no question of that, and it will undoubtedly cost quite a considerable amount of money to put that stretch of roadway into good shape. But here again I emphasize this point. This is not money thrown away. It is a real investment. We who live in British Columbia know the number of tourists who come up in the summer to our province from the states along the Pacific coast, from the great state of California, in particular, and the states of Oregon and Washington, also Idaho, but I mention California particularly, because the Californians love to go north to British Columbia in the summer, and if you were in British Columbia in the summer you would observe on the roads throughout the province and on the streets of Vancouver probably three California cars, I think I am safe in saying, to every one of all the other states put together. I have no accurate figures but that is my impression, and I have observed carefully. We get a large number of Californians. They are attracted by the mountain scenery and the cool, green verdure of our parks and province, which furnishes such a contrast to the heat and glare of a California summer. Our people go south in the winter. There is thus an interchange of traffic. I want to make this point very clear to the minister, that when he is building or making dustproof—and that is the main thing—the roads from Kootenay park and Banff park, east and west to the boundary, or completing the Big Bend highway, the work must be considered as a form of national investment, which I believe will bring to the country excellent dividends commensurate with the effort made. I repeat what I said a moment ago, that I would not be deterred by the fear of demands from elsewhere because I believe that we should adopt it as a national policy to open up access to our great parks to American tourists from the south. It should be a part of our general national policy. The item as it appears in the estimates naturally, therefore, gave me a great deal of satisfaction and pleasure, but I also think it is sound business to carry on this work.



Mr. McDONALD (Souris): I would like to suggest to the Minister of the Interior that under this vote of $25,000 for miscellaneous, a few thousand dollars be included for the peace garden, situated on the boundary between North Dakota and Manitoba immediately south of the town of Boissevain. Mr. E. F. Willis, member for Souris in the previous parliament, put on Hansard a very fine description of the beauties and value of the peace garden, which will be found at page 2340 of Hansard of 1933. For the information of the committee I might say that our American friends have so far spent about $100,000 on that garden, but we as a government have spent nothing yet.

I listened to the right hon. leader of the opposition (Mr. Bennett) and the hon. member for Kootenay East (Mr. Stevens) speaking of the value of the tourist trade, and again for the information of the committee I would like to say that the town of Killarney in the constituency I represent has the second largest number of entries for tourists who came through the port of entry south of that town. Many of these tourists no doubt were on their way to the Riding Mountain national park. It was proposed to spend $1,000,000 on this peace garden in Turtle mountains to perpetuate the peace that has existed between Canada and the United States for one hundred years. If that amount were spent, or if the sum of $5,000,000 which was first contemplated for building and endowing the garden were spent, it would draw tourists from hundreds and hundreds of miles. I would suggest to the Minister of the Interior that he include at least a few thousand dollars to get this thing started.

I am hopeful, and I believe I have good reason to hope, that the government is going to complete the road leading to the garden. There is a fair road there now, but I understand the government intends to complete it. When it is completed, and if the garden is built, it will be a wonderful attraction for tourists.

Mr. GREEN: I would like to make one or two suggestions to the minister in connection with the Big Bend highway. I think he would be making a big mistake if he placed more importance on feeder roads to the boundary than on the completion of the trans-Canada highway. After all, I think Canadians should come first, and Canadian tourists too,

and if that gap on the west side of the Big Bend highway is finished we shall then have a passable trans-Canada highway from Vancouver to Fort William, I believe, but at any rate as far as Winnipeg. That point should not be overlooked. I think the Big Bend gap should be given first consideration.

There is also this fact. The hon. member for Kootenay East (Mr. Stevens) has said that there are thousands of California cars coming up to Vancouver in the summer. They come up the Pacific highway. A great many more American cars come that way than come up from the states of Idaho and Montana, and I suggest that the very best source from which to draw American tourists would be to have them come up the Pacific highway and then over our trans-Canada highway into Banff park. But that can be done only by completing this western gap of the Big Bend highway, and I suggest that it should be given the preference. I hope the minister will not lose confidence in the trans-Canada highway.

Mr. BROOKS: Do I understand, Mr. Chairman, that the item for the development of new parks in the maritime provinces stands? I know that the leader of the opposition asked that it stand.

Mr. CRERAR: I understand that my right hon. friend who leads the opposition raised the point that until the legislation creating these parks had been submitted to parliament it was inappropriate to discuss a vote to develop them. The item might stand if my right hon. friend wishes, and be discussed later.

Mr. BROOKS: I notice there is an item here of $140,000 for the development of new parks in the maritime provinces, and in the press of the maritime provinces I have noticed that there is to be a park established in Nova Scotia. One article said that $100,000 was to be expended for that purpose, and that a national park was also to be developed in Prince Edward Island. I should like to know if a national park is to be developed in New Brunswick.

Mr. CRERAR: There is no vote contemplated to go ahead with a park in New Brunswick this year. Some examination was made, I think in 1934 of possible sites in New Brunswick. There is some difference of opinion as to the best location for a park in that province. I would point out something that I think is obvious to everyone acquainted with the situation. A park located in Nova Scotia or in Prince Edward Island is bound to be of some benefit to New Brunswick because of the fact that tourists could reach a park in Nova Scotia only by travelling through New Brunswick.

Mr. BENNETT: Oh, no, they come to Yarmouth in large numbers. There are ships specially adapted, running from New York to Yarmouth.

Mr. CRERAR: Then I am not correctly informed. Tourists from the New England states would come through New Brunswick and on into Nova Scotia. Some might ship their cars by ferry and avoid passing through the beautiful province of New Brunswick, but I think a large number would travel by road. In any case the question of a site in New Brunswick is yet to be determined, and in this connection further surveys will be made this summer.

I agree with one observation made by the hon. member for Kootenay East (Mr. Stevens). I think the tourist business is an industry and should be so considered. We have an investment of almost $30,000,000 in our national parks scattered throughout the different provinces. Both the Canadian National and the Canadian Pacific have also spent large sums at Banff, Jasper, Lake Louise and other parks in providing hotel accommodation and general facilities for tourist traffic. The thing is to develop this traffic. If we could treble or quadruple the number of United States tourists coming to Canada within the next two or three years, the result would be a substantial contribution to general economic improvement.

This brings me to the question of roads. In the Glacier national park and in the Yellowstone national park the United States government has spent millions of dollars upon the construction of the best kind of hard surfaced roadways. Americans come up from the south to visit the Yellowstone park or the Glacier park. Having heard a lot about Banff, they make inquiries and find they can reach Banff in a day or a day and a half. They decide to come to Canada, but when they get on Canadian roads they find they are entirely different from those they have been travelling on in the United States. The result is that they get disgusted and discouraged and turn back, and we do not get their business.

Mr. BENNETT: That depends upon where they come in.

Mr. CRERAR: Yes, it depends upon where they come in. Where tourists come up through

California and proceed to Vancouver, the conditions are different. It would take them two or three days to get to Banff from Vancouver by road, but many of them would travel that road if it were completed. It has been estimated that the completion of this road will attract from 15,000 to 20,000 tourist cars per year. On the other hand, many of these tourists visit the United States parks in Montana immediately south of the Alberta boundary.

Mr. BENNETT: They come in by Waterton park.

Mr. CRERAR: If we had sufficient funds we could build roads into all these parks, as has been suggested, but I recognize the importance of the point raised by the leader of the opposition (Mr. Bennett). If you once begin to build roads from the international boundary into these parks it would be difficult to stop unless you wished to be charged with discrimination. On the other hand, there are certain circumstances that vary the conditions. Take the Riding Mountain national park, for instance in Manitoba. With the exception of a portion of the trans-Canada highway and the road leading from Winnipeg south to Emerson Junction, and some mileage east and north of Winnipeg, all our roads are gravel roads. The roads in Dakota are also of this type.

Mr. BENNETT: Manitoba roads are better.

Mr. CRERAR: The roads in Dakota are gravel and I believe they are inferior to the Manitoba roads. A tourist might arrive from Fargo or some point even further south and then decide to visit Winnipeg. He might then inquire as to parks and be informed of the Riding Mountain park, which he could visit. All this time he would be travelling over the type of road with which he is familiar, at least no worse and in many cases better than the roads in his own state. In my judgment this is the explanation for the large number of American cars which come into Riding Mountain park.

Mr. BENNETT: How many went in there last year?

Mr. CRERAR: I am told that over 100,000 tourists registered into the park. A large number of these would be Canadian, but many were American. This condition is changed completely when you consider the Banff park.

Mr. BENNETT: What number entered Waterton Lakes park last year?

[Mr. Crerar.]

Mr. CRERAR: I have not that information at the moment, but perhaps I can get it.

Mr. BENNETT: I was just curious about that.

Mr. CRERAR: Undoubtedly a road from Kingsgate into Banff would attract a lot of tourists from the south, because Kingsgate is only a little west of the Glacier national park.

Mr. BENNETT: Is the road into Kingsgate hard surfaced?

Mr. CRERAR: You mean from the United States?

Mr. BENNETT: On the United States side.

Mr. CRERAR: It is not completed, but my deputy informs me that it is being hard surfaced.

Mr. BENNETT: The last time I was over it it was the same as ours.

Mr. CRERAR: A tourist might decide to go from Kingsgate to Banff, or, if the Jasper road was completed, he could go on to Jasper. He could then come out by Edmonton. The chances are that after visiting Banff or Jasper he would go down through Canada and back home. I certainly do not want to make a mistake in judgment in connection with this matter, as it is important, but I am rather intrigued with the notion that if our roads were dustproofed from Kingsgate to Banff and from Banff to Calgary and down into Waterton Lakes park, a large number of American tourists would be attracted to Canada. They would have to travel considerable distances through our country. I do not wish to create the impression that there is any thought of abandoning the Big Bend road. At the moment it is merely a question where you can spend what money you have and obtain the best results, and I can assure the committee that that is the basis upon which this whole matter is being considered. I intend to discuss the question with the representative of the British Columbia government, who I understand is in the city at the present time, though I have not seen him. In the correspondence exchanged last year between the federal government and the government of British Columbia with respect to the completion of the west leg of the Big Bend highway, the suggestion was made to the province that the road from Kingsgate to Kootenay park should be properly maintained, and the British Columbia government gave a commitment, though a rather indefinite one, as to

the amount of maintenance work they could do on that road. It was subject, they said, to two limitations: first, the amount of cash available, and second, the demands for similar road construction in other parts of the province.

I believe that the development of this tourist business offers a great opportunity to Canada. There is no question of the value of it in the economic sense.

Mr. BENNETT: In the international economic sense.

Mr. CRERAR: Yes, as my hon. friend says, in the sense of our economic relations with the United States. When we get tourists to visit our parks we are exporting scenery, and it is good business as rapidly as we can to provide facilities that will attract them to this country and induce them to stay as long as they reasonably can. That business is valuable to Canada, but I am firmly convinced that if we are to develop it one of the first considerations is the matter of dustproof roads from the United States into our Canadian parks. I realize as much as anyone in the house does the limitations, owing to our heavy expenditures in other directions, but I hope to work out a sensible plan whereby we can spend a certain amount each year and spend it in the most effective way. I would certainly welcome suggestions from any part of the house as to how that can best be done. My hon. friend from Souris (Mr. McDonald) referred to the peace garden which lies in his constituency. That is a matter of the first importance. The peace garden symbolizes a state of international amity between Canada and the United States that is one of the finest things we can contemplate. There is no provision in this vote for roads into the peace garden, but the completion of the road commenced last year is to be provided for in the projects that are being arranged for between the government of Manitoba and the Department of Labour. That I know has been the subject of discussion between representatives of the Manitoba government and the Minister of Labour.

Mr. MacKINNON (Edmonton): The discussion that has developed has grown out of the consideration of an item for furthering the construction of the Big Bend portion of the trans-Canada highway along the Columbia river. A large number of the people of the prairie provinces—the central and northern parts of the prairies particularly—have their eye on a highway which they want to see built to connect them with the Pacific coast, from Jasper, the centre of the great Jasper national park. In this discussion I do not think it necessary to dwell on this natural ambition of the people of the prairie provinces, because we remember that the people who favour the construction of a highway from Jasper west to Vancouver recognize that it must link up with the highway in course of construction along the Columbia river. For that reason I am not pressing at the moment further consideration for the construction of a highway connecting Jasper along what is known as the Blue River route west from Jasper in the direction of Vanderhoof, south along the Canoe river or along the present right of way of the Canadian National tracks to a point on the Big Bend portion of the trans-Canada highway. That is a matter in which we are greatly interested in Alberta, in Saskatchewan and in the western provinces generally. I am induced to make these remarks particularly by reason of an observation made by the minister in referring to the motoring which a possible tourist would do in arriving at Banff. The hon. member who speaks on behalf of Banff may suggest that a highway is being constructed now from Banff to Jasper and that this will give us coast connections. That in itself will be a wonderfully scenic highway when completed, but in addition to that I would point out to the minister that we will request a highway west from Jasper direct to the main trans-Canada highway, along what is known as the Blue River route.

Mr. BROOKS: The minister a moment ago said that the national parks in Nova Scotia and Prince Edward Island would benefit the province of New Brunswick. I assume the idea is that it would satisfy New Brunswick. If that is the minister's opinion I wish to disabuse his mind at once because the people of New Brunswick would not be satisfied, nor would they be justified in being satisfied, with such an arrangement. There might be some benefit to the people of New Brunswick from a park in Nova Scotia and a little from a park in Prince Edward Island, but we would be only constructing roads for tourists to get to these other two provinces, and the amount of benefit to us would be very small. I hope that is not the intention of the minister; I hope the government does not intend to construct parks in the other provinces and neglect New Brunswick. If it is a matter of determining the site and the department cannot decide on a site I will willingly assist them. I think I could pick out one of the best sites in the province.

Mr. COLDWELL: The minister stated that dustproof highways would be an attraction to what he called the tourist industry. I was wondering if the government had looked into the utilization of the tar sands of Alberta. Several years ago the Canadian Pacific Railway laid its platforms in the city of Regina with tar sands brought down from Alberta. I do not know whether or not that was an economical way of handling the tar sands, but I was discussing the matter at the time with an engineer, and he told me he thought that ultimately the tar would be extracted from the sand, mixed with local sand and utilized, and then it might be an economical project. If Alberta has vast deposits of tar sands—and I understand it has—and by cooperation with the dominion government a scheme could be worked out whereby this material could be utilized by the people of Canada as a nationally-owned resource, and if the project is economically feasible, I believe there is a possibility of getting dustproof roads.

While I am speaking on this matter may I add that in my opinion not only tourist traffic but the traffic of our own people from the southern parts of the prairie provinces to the northern regions would be greatly facilitated and improved if here and there, at one or two places where trunk highways cross rivers by means of ferries, bridges were built. I have in mind particularly the area from Swift Current north. At certain seasons of the year it is necessary, along that particular highway, to travel many miles out of the way around to the Elbow and there cross the bridge over the Saskatchewan river, although there is a splendid highway, No. 4, I believe, running straight north from Swift Current to North Battleford. We have a number of links of that description. It seems to me that if we are going to spend money for the encouragement of tourist and other traffic these gaps in our highways might well be considered.

However I rose to ask the minister, since he has mentioned the possibility of dustfree roads, if any consideration has been given to the utilization of the tar sands of Alberta.

Mr. CRERAR: In reply, I want to deal for a moment with the point raised by my hon. friend from Royal (Mr. Brooks). It is the intention of the department to have a further investigation of New Brunswick made this summer with a view of locating a park site.

Mr. BENNETT: There is a report on the subject now.

[Mr. Brooks.]

Mr. CRERAR: We have a report now, but there is a difference of opinion on the report, and a difference of opinion in New Brunswick itself.

Mr. BENNETT: Not in the department. They made the recommendation.

Mr. CRERAR: My hon. friend from Royal must also keep in mind that the province has to deed over to the federal government the whole park area that it is proposed to develop. That matter will receive consideration this summer. Whether or not an amount can be put into our estimates a year from now for the development of a park in New Brunswick depends upon factors, upon which I would not care at the moment to pass an opinion.

As to the other point, raised by my hon. friend from Rosetown-Biggar (Mr. Coldwell), experiments were carried on with the tar sands of northern Alberta, particularly in Jasper national park, and I think it can be said that these sands make a suitable hard-surfacing material. The difficulty is the cost of transporting the sands and the bitumen which they contain to the park areas where they can be utilized, or indeed for purposes of roads anywhere else. I understand, however, that lately a company has been promoted, has secured capital, and will undertake this year the separation of the bitumen from the sands in this tar sands area of northern Alberta.

Mr. BENNETT: And the oil?

Mr. CRERAR: And also the oil. If that experiment works out—and apparently they have conducted their preliminary experiments to a degree where they have sufficient confidence in the enterprise to put capital into it—possibly supplies of material for hard-surfacing roads will be available from that source. At present the taking of this heavy untreated material from the northern part of Alberta, where it is located, is not practicable owing to the cost.

Mr. CLARKE (Rosedale): With regard to the $13,200 for wharves and beach protection improvements, what section of the country are they in?

Mr. CRERAR: That is mainly in the Prince Albert national park and Riding Mountain national park.

Mr. FAIR: I wish to direct the attention of the minister to the great Wainwright Buffalo park. On the south side of this park we have good roads. On the north side there is a gravelled highway from Edmonton to Wainwright. But through the park we have no

roads whatever, except a prairie trail which was fairly good for travel in the days of the old model T, but at the present time, when cars are being slung lower and lower, the bottom of your car, as you drive along, rubs on the road or you have to get off the road and drive over the prairie. For some time organized bodies around Wainwright have been trying without success to have a road constructed through the park. As hundreds of visitors from all parts of the United States and Canada visit this park every year, I believe that it would be good business to go ahead and put the road through from the north to the south. As the minister no doubt knows, Wainwright is also a great oil-producing centre. Facilities in that respect have been provided by the province through the construction of a gravelled highway. There is a good road on the south side, and the people of the district are very anxious to have a road through the park from north to south. I should like to see the minister give this proposal his attention.

Mr. BENNETT: The question of an appropriation for parks in the maritimes will depend upon the bill, and I think we should have something to say about that before we appropriate this item. I understand that it is to stand; there is something I desire to point out in connection with what has been said. I suppose the minister realizes, although nobody has pointed it out, that we cannot do a dollar's worth of work, in resurfacing or otherwise providing for dustproof roads belonging to a province, unless the province permits us to do so. The provinces own the roads, and when we talk about doing this or that it must be remembered that the roads are the property of the people of the various provinces, and we cannot deal with them without provincial consent. I do not intend at this time, because it is six o'clock, to get into a discussion of that matter. I merely point out that in the ultimate analysis the province is going to select the road on which we do the work. It is their road, not ours.

Mr. CRERAR: That is right.

Mr. BENNETT: It is for them to say whether or not we shall put tar on it. Therefore, when we talk about making dustproof roads to the boundary, Alberta will have the say as to whether it shall be the one at Waterton park, or the one from Banff to Fernie.

Mr. CRERAR: Before the committee rises I just wish to say that I am quite aware of what the leader of the opposition has pointed out, and earlier in my remarks I intimated that this is one of the matters that I propose to discuss with the Minister of Public Works of British Columbia, who is in Ottawa at the present time.

Mr. BENNETT: Another question that should be touched upon, as the hon. member for Yale (Mr. Stirling) suggests, when the item comes up again, is that of continued maintenance.

Item stands.

Progress reported.

## BRITISH NORTH AMERICA ACT

### CORRESPONDENCE WITH RESPECT TO PROPOSED AMENDMENTS TABLED

Mr. LAPOINTE (Quebec East): Mr. Speaker, I desire to lay on the table of the house correspondence with respect to the proposed amendment to the British North America Act.

Mr. BENNETT: Has the minister an extra copy for the hon. member for St. Lawrence-St. George (Mr. Cahan)?

Mr. LAPOINTE (Quebec East): I have only one extra copy.

Mr. BENNETT: Perhaps the minister will be able to let the hon. member have a copy to-morrow morning.

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

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# Thursday, May 14, 1936

The house met at three o'clock.

## STANDING COMMITTEES

### MINES, FORESTS AND WATERS—CHANGE OF PERSONNEL

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

That the name of Mr. Clarke (Rosedale) be substituted for that of Mr. Plunkett on the standing committee on mines, forests and waters.

Motion agreed to.

### STANDING ORDERS—CONCURRENCE IN FIRST REPORT

Mr. S. W. JACOBS (Cartier) moved that the first report of the standing committee on standing orders be concurred in.

Motion agreed to.

## QUESTIONS

(Questions answered orally are indicated by an asterisk.)

QUEBEC CITY POSTMASTER

Mr. BOULANGER:

1. Who is the postmaster of Quebec city?
2. When was he appointed?
3. Was he appointed by the Civil Service Commission?
4. Who were the other applicants?
5. What are the names, ages, occupations, salaries, qualifications and addresses of the persons who determined the qualifications of the applicants?

Mr. RINFRET:

1. Jean-Baptiste L. Morin.
2. January 1, 1933.
3. Promoted following a promotional competition held by the Civil Service Commission.
4. Alleyn, John Alexander; Arteau, Jean-Baptiste Henri; Pelletier, Pierre Alphonse Jules; Pouliot, Joseph Alphonse.
5. The candidates were given ratings by the district superintendent of postal service, Mr. S. Tanner Green, whose headquarters was Quebec city, on—(1) Seniority (length of service); (2) Efficiency of service; (3) Fitness to fill the vacant position. Weights to these ratings were given in the commission.

Mr. Green, who entered the postal service in 1885, (July 1), was sixty-nine years of age in 1933, and his salary was $4,620 per annum when, as district superintendent of postal service he rated the candidates in this promotional competition. Mr. Green was resident at Quebec city.

DOMINION HOUSING ACT

Mr. MALLETTE:

1. How many loans have been made since January 1, 1936, under the Dominion Housing Act, 1935, through authorized institutions (a) in the city of Montreal; (b) in each of the other municipalities situated on the island of Montreal?
2. What was the total amount of such loans made in each municipality?

Mr. DUNNING:

| | | |
|---|---|---|
| 1. (a) | 20 (representing 55 family units). | |
| (b) | Mount Royal | 12 |
| | Pointe Claire | 5 |
| | Hampstead | 4 |
| | Westmount | 1 |
| | Hudson Heights | 1 |
| | Cote St-Luc | 2 |
| 2. | Montreal | $ 201,615 |
| | Mount Royal | 96,639 |
| | Pointe Claire | 17,978 |
| | Hampstead | 31,300 |
| | Westmount | 13,000 |
| | Hudson Heights | 4,000 |
| | Cote St-Luc | 8,350 |

[Mr. Jacobs.]

CANADIAN TRAVEL BUREAU

Mr. MALLETTE:

1. What firms have been given contracts for publicity by the dominion tourist bureau?
2. Where are these firms located?
3. What is the amount of each contract?
4. When does each contract expire?

Mr. HOWE:

It is assumed that these questions relate to the Canadian Travel Bureau.

1. 1935—McConnell, Baxter & Eastman.
   1936—MacLaren Advertising Company.
2. Toronto.
3. 1935—$173,608.32.
   1936—$176,459.11.
4. These contracts cover the placing of advertising in certain periodicals, both newspapers and magazines, in the United States. They are not term contracts, but are for certain stipulated services, as and when required.

## QUESTIONS PASSED AS ORDERS FOR RETURNS

GOVERNMENT ANNUITIES

Mr. WARD:

1. What number of annuity contracts has been issued by the government annuities branch during the fiscal year ending March 31, 1936?
2. How much was received as premium payments during that year?
3. What are the names of the special full-time representatives who received commissions from the sale of government annuities during the fiscal year ending March 31, 1936?
4. In what cities were they located?
5. What total remuneration did each representative receive, as commission or otherwise, during that year?
6. What total amount of money has been transferred from the consolidated revenue fund for the maintenance of the government annuity reserves from September 1, 1908, to March 31, 1936, over and above the 4 per cent interest credited to the fund each year?
7. Are the reserves at present set up by the government annuities branch higher or lower than the reserves which life insurance companies would be required to hold for the same contracts under the Canadian and British Insurance Companies Act, 1932?
8. Is the single premium charged by the annuities branch for an annuity guaranteeing a male age 60, $100 per annum for life without guaranteed payments higher or lower than the rate of $1,262 charged at present by the British government through the national debt commissions for a similar contract?
9. What single premium does the annuities branch charge for this contract?

GOVERNMENT OWNED GRAIN ELEVATORS

Mr. CHURCH:

1. How many grain elevators of all kinds are owned by the government of Canada?
2. Where are they located, and what is the capacity of each?

3. When was each of such elevators constructed?
4. What was the cost of each of such elevators?
5. By whom were the said elevators designed?
6. What money compensation was paid for such designs?
7. By whom were the plans and specifications for the construction of each of such elevators prepared?
8. What money compensation was paid for the preparation of such plans and specifications?
9. By whom was each of such elevators constructed?
10. Who supervised the construction of each of such elevators?
11. What money compensation, if any, was paid for such supervision?
12. Are any of such elevators equipped with special hoppers?
13. If equipped with such special hoppers, by whom were such hoppers designed, what money compensation was paid for such designs, and what was the cost of such equipment?
14. Is any royalty being paid in connection with hopper equipment used in such elevators?
15. If so, what is the amount of such royalty, to whom is it paid, and what was the amount paid during each year since such equipment was placed in the several elevators?

## BRITISH NORTH AMERICA ACT

### PROPOSED AMENDMENT RELATING TO TAXATION AND GUARANTEE OF PROVINCIAL DEBTS

Hon. ERNEST LAPOINTE (Minister of Justice) moved:

That an humble address be presented to His Most Excellent Majesty the King, in the following words:—

To the King's Most Excellent Majesty:
Most Gracious Sovereign:

We, Your Majesty's most dutiful and loyal subjects, the Commons of Canada in parliament assembled, humbly approach Your Majesty praying that you may graciously be pleased to give your consent to submitting a measure to the parliament of the United Kingdom of Great Britain and Northern Ireland to amend the British North America Acts, 1867 to 1930, and the British North America Act, 1907, and that such measure be expressed as follows:—

An act to amend the provisions of the British North America Acts, 1867 to 1930, relating to taxation and to enable the government of Canada to guarantee debts of the provinces of Canada.

Whereas an address has been presented to His Majesty by the Senate and Commons of Canada requesting the enactment of the provisions hereinafter set forth:

Be it therefore enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and the Commons, in this present parliament, assembled, and by the authority of the same, as follows:—

1. (1) Section ninety-two of the British North America Act, 1867, is amended by adding thereto as clause 2A the following:—

2A. Indirect taxation within the province in respect of:—

(i) retail sales, other than of all alcoholic beverages, spirits, malt, tobacco, cigarettes and cigars which are subject to customs and excise duty or tax in Canada or other than of all goods and articles for delivery without the province;

(ii) the patronage of hotels, restaurants and places of amusement or entertainment;

in order to the raising of a revenue for provincial purposes.

(2) The said clause 2A shall be deemed to have retroactive effect with respect to provincial legislation in force at the passing of this act.

2. The parliament of Canada may authorize the government of Canada to guarantee the payment of the principal, interest and sinking fund of any securities (hereinafter called "guaranteed securities") which any province of Canada may from time to time make or issue, and, subject to the provisions of this act may prescribe the terms and conditions upon which any guarantee so authorized shall be given, and the provisions of this act shall, in the event of any such guarantee being given, apply and have full force and effect notwithstanding anything contained in the British North America Acts, 1867 to 1930, the British North America Act, 1907, the parliament of Canada Act, 1875, the Canada (Ontario Boundary) Act, 1889, the Canadian Speaker (Appointment of Deputy) Act, 1895, session 2, or any acts, orders, rules and regulations passed or made thereunder or pursuant thereto establishing a province or admitting a colony or province into the union or affecting the constitutional relationship between Canada and a province.

3. The legislature of any province of Canada may, with reference to the principal, interest and sinking fund of securities which the province may from time to time make or issue, authorize the government of the said province to enter into an arrangement with the government of Canada whereby the government of Canada shall guarantee the payment of the principal, interest and sinking fund of such securities.

4. (1) For the purpose of securing Canada against loss resulting from the giving of a guarantee under the authority of this act, the government of Canada, whenever in its opinion any default has occurred in respect of any payment on account of principal, interest or sinking fund of the guaranteed securities, may:

(a) withhold any payment to the province on acount of any grant payable by the government of Canada to the province for its local purposes or for the support of its government and legislature or on account of interest in respect of its public debt or in lieu of public lands or on any other account whatsoever;

(b) effect payment in whole or in part of any such grant by payment direct to a creditor of the province of any amount owing to such creditor on account of the guaranteed securities. In this and the next succeeding paragraph "creditor" shall include a trustee of a sinking fund;

(c) out of any revenue received or collected by the government of Canada or any department or officer thereof for or on behalf of the province, make payment direct to a creditor of the province of any amount owing to such creditor on account of the guaranteed securities.

(2) The legislature of any province may charge the principal, interest or sinking fund of the guaranteed securities on any revenue of the province, upon terms that such revenue shall, if the government of Canada so requires, be disbursed exclusively in payment of such principal, interest or sinking fund and may, if the government of Canada so requires, provide for the depositing of all funds from the revenue so charged in a trust account in a bank or banks for the purpose of implementing the said charge.

5. This act may be cited as the British North America Act, 1936, and the British North America Acts, 1867 to 1930, the British North America Act, 1907, and this act, may be cited together as the British North America Acts, 1867 to 1936.

He said: Mr. Speaker, the purpose of the resolution, as every hon. member will have learned from reading it, is that an address be presented to His Majesty the King asking for amendments to the British North America Act respecting two particular matters.

The resolution comes as a result of deliberations and discussions which took place at the dominion-provincial conference of 1935, and at meetings of various subconferences and committees subsequently held. There is no connection with the wider subject of Canada asking for power to amend its own constitution. That matter is still being investigated, and when the work is completed the result will be submitted to the various provinces before it is placed before the house for discussion.

The two subjects dealt with in the resolution are matters of particular urgency because of the serious financial difficulties in which some of the provinces have found themselves in the last two or three years, and indeed in which they find themselves at this time. The purpose of the resolution is to help relieve a situation created by an emergency, but one which might occur again if a similar situation developed.

The first change suggested is one respecting taxation. It is to widen to some extent the field of taxation allocated to the province, or rather to remove doubts as to the validity of taxes which have been already actually levied by the provinces and have been in force since.

This subject of taxation has always been a difficult one. It was so when confederation was entered into. It was the subject of many discussions at the Quebec conference and in the confederation debates which took place afterward. Of course at the time the only revenue of the various provinces which entered into confederation was customs and excise. They had to relinquish that source of revenue, but something else had to be provided in order to enable them to provide for local improvements, local administration and provincial matters generally. Various alternatives were suggested and discussed, one being that they should retain customs and excise revenue, another that the federal power should give to the provinces part of the revenue derived from customs and excise. There was also the alternative of giving them a subsidy, and another of direct taxation. Many of the delegates who took part in the discussions were strongly opposed to the policy of paying subsidies to the provinces as not being conducive to economy and to the proper supervision of expenditure by the local authority, but finally a compromise was reached under which a certain subsidy was to be paid to the provinces in lieu of customs and excise revenue. There was a fixed subsidy, another based on per capita of population; and the field of direct taxation also was given to the provinces.

Subsection 2 of section 92 of the British North America Act gives to the province direct taxation within the province in order to the raising of a revenue for provincial purposes. Two conditions are imposed: first, it is to be direct taxation; and second, it is to be within the province.

I said that many of the fathers of confederation were strongly opposed to financing the provinces by means of subsidy. Mr. Brown especially was opposed to that method of financing the province. Mr. Duncan in the confederation debates also took a very strong stand against it; I could quote his words but I do not think it is necessary. Later the same stand was taken by the statesmen who dealt with this matter. I have here the words of Sir Wilfrid Laurier when he introduced the Alberta and Saskatchewan bills. He said:

It is a sound principle of finance and a still sounder principle of government, that those who have the duty of expending the revenue of a country should also be saddled with the responsibility of levying and providing it. That principle has been departed from in our case.... I do not think it is sound; it is the duty of everybody in this house and in this country to take confederation as we find it, with its good points and its blemishes, and carry it to the end of the principle upon which it was established.

He even said then:

The day may come probably at no distant time, when the whole subject of the provincial subsidies will have to be taken up in a more radical way than any in which we can deal with it to-day.

He reaffirmed that stand in 1907 when the provincial subsidies were increased. He said:

If the principle be admitted of a contribution being made from the dominion treasury to the provinces, the provision made by the

British North America Act for contributions to the provinces has proved to be absolutely insufficient and inadequate. The experience of forty years had brought this fact again and again to the attention of parliament and the people of Canada; ... not once, not twice, nor thrice, but periodically and systematically parliament has been asked at almost regular intervals to vote in favour of now one province and now another province appropriations far in excess of anything that had been stipulated by the British North America Act.... All these have been made by parliament without any guiding principle, but simply as the expediency of the moment suggested, or rather as the financial difficulties of one province or the other were more or less urgent.

At the same time Sir George Foster, then Mr. Foster, a former minister of finance, suggested that the province should be allowed a certain percentage of the customs revenue in preference to an increase in subsidy. He said that such an arrangement would do away with future raids on the federal exchequer.

Hon. gentlemen can see by reading the debates that took place on these various occasions that every time an increased subsidy was granted it was stipulated that this last arrangement was to be final, that there should not be in the future any more demands for increased subsidies. Even in the British North America Act itself, in section 118, which is the one relating to grants to the provinces, you will read these words:

Such grants shall be in full settlement of all future demands on Canada ...

And so forth. But, Mr. Speaker, those hopes and expectations were not realized, because periodically since there have been movements for increases in these grants. When such requests for increases were granted it was always with that same condition of finality, but apparently in this case it cannot be final.

I said that there have been movements periodically to increase the subsidies. Even after the increases I have mentioned had been granted, in 1913, the year before the war, an interprovincial conference passed a resolution along the lines suggested by Sir George Foster in the debates of 1907, asking that ten per cent of the revenue collected by the federal government in customs and excise should be paid to the provinces. The war came a few months afterwards and no action was taken on that resolution, but conditions became worse on account of the situation created by the war. Until 1914 the federal government's main source of revenue, in fact almost the only source, was customs and excise. There were certain revenues from the Post Office Department, when there were surpluses; there was some revenue from the head tax on Chinese, but apart from these sources of revenue there was practically no other taxation in Canada. On account of the exigencies of the war, the federal government had to adopt forms of direct taxation as well as the indirect taxation in the form of customs, excise, and so on. When this was first done, Sir Thomas White, then Minister of Finance, said he was doing it reluctantly because he thought the field of direct taxation should be left to the provinces if it were at all possible so to do. However, the federal government could not obtain the necessary revenue in any other way than by the full use of its powers in that regard. Thus all the fields of taxation were invaded—perhaps I should say "used" rather than "invaded," as this was done legally—by the central government.

Of course the provinces complained bitterly about this new situation. They were forced to resort to many new taxes for the purpose of securing required revenues. Commodities were taxed in such a way as to throw some doubt upon the legality of the action. In order to show the house what was done in this connection I shall refer to the taxing of gasoline and fuel oil in British Columbia, which illustrates very well the situation with regard to this sort of taxation. In 1924 the province of British Columbia imposed a tax on oil. This was challenged, the matter going as far as the privy council in the case of Attorney General of British Columbia v. Canadian Pacific Railway Company. I should like to read the decision of the privy council in this case, because it shows the nature of the action. It reads:

Held, the British Columbia Fuel Oil Tax Act 1923, which provides that every person who shall purchase within the province fuel oil sold for the first time after its manufacture in or importation into the province shall pay a tax thereon, comes within the general principle which determines that the tax is an indirect one and, therefore, invalid within the meaning of the British North America Act 1867, s. 92, head 2.

This particular tax was declared invalid. However, the province of British Columbia wanted to tax fuel oil and gasoline, so they proceeded in another way. Another statute was passed which was also challenged and submitted finally to the privy council in the case of Attorney General for British Columbia v. Kingcome Navigation Company, in which it was held:

The Fuel Oil Tax Act, 1930, of British Columbia, which imposes a tax upon every consumer of fuel oil according to the quantity which he has consumed, is valid under s. 92, head 2, of the British North America Act, 1867; the tax is direct taxation, because it is demanded from the very persons who it is

intended or desired should pay it. As the tax does not relate to any commercial dealing with the commodity it does not fall within the category of customs and excise duties, which are within the legislative powers of the dominions, both because they are by nature indirect taxes and having regard to s. 122 of the act. The act being within the legislative power given by s. 92, head 2, and not purporting to regulate trade and commerce, is not invalid as infringing the dominion authority under s. 91, head 2, to legislate for that purpose.

This second act was declared to be constitutional and within the authority of the province. In this case the person was being taxed, it was not the commodity. The privy council adopted the definition of John Stuart Mill as to direct and indirect taxation. This definition is as follows:

Taxes are either direct or indirect. A direct tax is one which is demanded from the very persons who it is intended or desired should pay it. Indirect taxes are those which are demanded from one person in the expectation and intention that he shall indemnify himself at the expense of another; such are the excise or customs. The producer or importer of a commodity is called upon to pay a tax upon it, not with the intention to levy a peculiar contribution upon him, but to tax through him the consumers of the commodity, from whom it is supposed that he will recover the amount by means of an advance in price.

Lord Thankerton said:

Customs and excise duties are, in their essence, trading taxes, and may be said to be more concerned with the commodity in respect of which the taxation is imposed than with the particular person from whom the tax is exacted.

The privy council decision of 1934 has practically settled the law with regard to direct and indirect taxes, but even now it is difficult to come to a definite decision in connection with some sorts of taxes. At the dominion-provincial conference of 1927 this matter was discussed. It was found that when one province imposed a tax on oil, the other provinces followed suit. Taxes were imposed on other commodities and the provinces complained that their power was being challenged, not by the federal authorities but by certain taxpayers, and they were always being subjected to litigation and to the necessity of having to defray the cost of very expensive trials. Mr. Price, then Attorney General of Ontario, was particularly emphatic about it. Mr. Baxter, then Premier of New Brunswick, suggested that the British North America Act should be amended for the purpose of defining what a direct tax was, and that it should mean anything apart from customs and excise. This was supported by some of the other provinces, but nothing was done with regard to that suggestion. At the last dominion-provincial conference it was again suggested that the field should be extended to them, including everything apart from customs and excise.

Mr. BENNETT: Including income tax.

Mr. LAPOINTE (Quebec East): Including income tax, yes. So as I have stated the taxation virtually exists at the present time. They have taken the power of taxing in the way I have indicated, and when we pass a resolution here agreeing thereto we are practically doing what Lord Chesterfield advised his son to do: What you cannot avoid doing, do gracefully. They wanted us to drop the income tax and many other fields of taxation, to which of course the dominion did not agree.

The feature of the amendment which seems to meet with objection is its retroactivity. My right hon. friend alluded to that in the debate on the budget and I believe the hon. member for St. Lawrence-St. George (Mr. Cahan) also indicated his opposition to it. Of course the principle of retroactivity is not generally desirable in legislation, I am free to admit; but what makes it undesirable also makes exception to the principle necessary perhaps, and it is after all public interest, the social good. The principle of retroactivity is not desirable because it would affect, for instance, criminal matters. If a man does something which is not a crime you cannot three years afterwards declare it to be a crime and say that the penalty should apply to what had been done at that time. The matter under consideration here, however, is not at all similar. It is rather to remove doubts as to the power of taxation in the provinces with respect to certain matters like fuel oil and gasoline. Moreover, it is not, as has been claimed, so unprecedented that an amendment to the constitution should contain a retroactive clause. As a matter of fact, in most of the amendments that have been made to the British North America Act since 1867 there has been a retroactive clause. For instance, the British North America Act of 1871 was for the purpose of ratifying the Manitoba act which had been passed by this dominion, creating the province of Manitoba, in 1870, and section 5 of the amending act declares:

The following acts passed by the said parliament of Canada and intituled respectively, "An Act for the temporary government of Rupert's Land and the North Western Territory when united with Canada"; and "An Act to amend and continue the act thirty-two and thirty-three Victoria, chapter three, and to establish and provide for the government of the province of Manitoba," shall be and be deemed to have been valid and effectual for all purposes whatsoever from the date at which

they respectively received the assent, in the Queen's name, of the Governor General of the said Dominion of Canada.

And the preamble of the imperial statute specifically states that the purpose is to remove doubts as to the power of the dominion parliament to enact the act creating the province of Manitoba. It may be said that there was nothing there concerning taxation. I think there was. The province of Manitoba had been in effect constituted. The lieutenant governor had been appointed in 1870, a general election in the province took place in that year, there was a government there, and there was a session of the legislature of Manitoba in which taxation was imposed, before the amending act of 1871 gave the full powers to create the province of Manitoba.

In 1875 there was another amendment to the British North America Act in which the preamble also stated that doubts had been expressed as to the power of the dominion parliament with regard to the matter concerning that act, and section 2 reads:

The act of the parliament of Canada, passed in the thirty-first year of the reign of her present majesty, chapter 24, intituled "An Act to provide for oaths to witnesses being administered in certain cases for the purposes of either house of parliament," shall be deemed to be valid and to have been valid, as from the date at which the royal assent was given thereto by the Governor General of the Dominion of Canada.

In 1886 there was another amendment to the British North America Act. Section 2 reads:

Any act passed by the parliament of Canada before the passing of this act for the purpose mentioned in this act shall, if not disallowed by the queen, be, and shall be deemed to have been, valid and effectual from the date at which it received the assent, in her majesty's name, of the Governor General of Canada.

And so on. In 1895 there was an amendment with respect to the appointment of a deputy speaker, in which the act of the parliament of Canada was also deemed to be valid and to have been valid as from the date at which royal assent thereto was given. But more recently, prior to the statute of Westminster, 1930, there were doubts and there had always been strong controversial debates as to whether this and other dominions of the British commonwealth had the right of extraterritoriality with respect to legislation. The courts had decided that the effect of a law of Canada did not go beyond the limits of this country; others had decided that there was the power of extraterritoriality. However, this was settled by the statute of Westminster, section 3 of which provides:

It is hereby declared and enacted that the parliament of a dominion has full power to make laws having extraterritorial operations.

This was the language used in the Westminster statute. It was for the purpose of giving retroactive validity to all legislation in which extraterritoriality—

Mr. CAHAN: Will the minister please expand that idea? From what does he infer that the Westminster act with regard to the territorial jurisdiction of the parliament of Canada was retroactive in effect?

Mr. LAPOINTE (Quebec East): I cannot do better than quote the dominion statute of 1933. As far as I am concerned I cannot concede that Canada did not have this power of extraterritorial jurisdiction; I always claimed that we had, and that this was merely declaratory of a power which the dominion already possessed. But that was not the view of everybody: I heard different views expressed in the house prior to 1930. However, in 1933 parliament thought fit to enact the following statute, chapter 39 of the dominion statutes:

Every act of the parliament of Canada now in force enacted prior to the eleventh day of December, 1931, which in terms or by necessary or reasonable implication was intended, as to the whole or any part thereof, to have extraterritorial operation, shall be construed as if at the date of its enactment the parliament of Canada then had full power to make laws having extraterritorial operation as provided by the Statute of Westminster, 1931.

Mr. CAHAN: That is the Canadian act, but not an act of the United Kingdom.

Mr. LAPOINTE (Quebec East): Obviously the Canadian government and the Canadian parliament in 1933 thought it better to pass an act, in exercise of the powers conferred by the statute of Westminster, declaring that any act passed before 1931 in which there was a clause of extraterritoriality was in effect as if that power had always been possessed by parliament.

I quite admit that it would be better if we were not compelled to make any such changes in the powers of taxation. It would be much easier, it would be along the line of least resistance, to stay as we are and leave to the provinces the power of direct taxation and nothing more. But we are forced by circumstances created through the economic difficulties in which the provinces find themselves, and because they cannot have sufficient revenues without using the power of taxation which we are conceding to them. The only alternative would be more subsidies, and all our statesmen in the past—the fathers of confederation as well as those who have dealt subsequently with this matter—have been of the opinion that it is wrong to subsidize the

provinces instead of giving them the power to levy and collect their own revenues by taxing their own people with the authorization of their respective legislatures. As I say, that is the alternative, and as far as I am concerned I am inclined to favour letting the provinces possess the power of using this method of taxation which they have been employing during the last few years.

As to the question whether it is desirable that the provinces of a federal state should have this power, it is to be observed that it is possessed by members of other confederations. In the nation to the south of us the states have the power of indirect taxation, except customs and excise—the very thing that our provinces have been asking for, and which we are not willing to grant them, even at this time. In Australia they have the same difficulties as we have. But this consideration would apply more to the second part of the resolution, though it will be noted that the statutes of Australia empower the commonwealth parliament to come to the relief of the states when they are in financial difficulties and to lend them money, in a way which is not mentioned at all in our own constitutional act.

It is the unanimous wish of the provinces that this should be granted to them. They have accepted it, although they wanted more. The drafting of the amendment was their work as well as that of the law officers of the crown, and this amendment meets their views.

The power of indirect taxation is not given to them except with regard to the retail sales tax, and from this tax are excepted certain commodities upon which there is already a very high rate of customs or excise duty, so that it was thought undesirable that the provinces should invade this field. There is another exception, as to goods which might be sold and delivered outside the limits of a province; this, according to the experts of the finance and other departments, can be easily adjusted. The financial advisers of the government have approved of the scheme which is embodied in this resolution.

The second matter mentioned in the resolution, and which is a subject of this amendment, is the provision of some method of financially helping the provinces. I believe it is the universal opinion in Canada that the system of lending money to and piling debts upon the provinces by the Dominion of Canada must be ended. This is for the purpose of helping the provinces when financially embarrassed to obtain the guarantee of the dominion government, subject to certain conditions, for their borrowings and to empower them to give securities to the dominion in pursuance of that guarantee. Here, again, all the provinces through their representatives have agreed. Most of them stated that they would not take advantage of the scheme which may be devised in virtue of this agreement, but they are all agreed that they and the dominion should have the power, if it comes to a special difficulty, to take advantage of it.

The question of a loan council, which is not referred to at all in this amendment, is a matter that may be discussed later. If it should be established it would be for the purpose of devising a method of coming under the provisions of this amendment, but that question does not come within the sphere of the discussion of this resolution. It is not fair that the present system should continue without some guarantee of this kind. It is not fair to the provinces concerned; it is not fair to the dominion, and more particularly it is not fair to the other provinces which are meeting their obligations, and which would have to share the loss if anything should happen to prevent the reimbursement of the loans made by the dominion to some province. In some newspaper, within the last week or two, I read that this was a colonial move, which would subject Canada to imperial control, and all that sort of thing. Well, Mr. Speaker, I claim to be a good Canadian national, and I think I am as jealous as anyone of the autonomy of Canada. I fail to see where anyone could find any such thing in this address. Quite the contrary; this amendment will empower Canada to settle its own financial affairs; it is designed to create some structure which will permit Canada to deal with its own problems, in its own way, by its own citizens. How could anyone find some dangerous imperial scheme behind it? I fail to see it, and if someone else sees it I wish he would explain it to me.

I have taken longer than I had intended, Mr. Speaker, but I repeat that this amendment is for the purpose of enabling the dominion and the provinces to try to solve their present difficulties. As a Canadian I have the hope, and I am quite sure, that Canadians will find a way to deal with their difficulties and that the provinces and the dominion will cooperate in the future as they have in the past. It is with that hope that I submit this resolution and ask for the support of the house.

Hon. C. H. CAHAN (St. Lawrence-St. George): Mr. Speaker, the address now under consideration has been divided by the Minister of Justice (Mr. Lapointe) into two

parts which cannot be said to be interrelated. With regard to the second part, dealing with the power to be given the parliament of Canada to authorize the government of Canada to guarantee payment of the principal, interest and sinking fund of certain provincial securities and to receive pledges or guarantees with respect to the liquidation of provincial indebtedness, personally I should have thought—and I have seen no legal opinion to the contrary—that at present Canada is authorized to do that by legislative enactments of the parliament of Canada under the general provisions of section 91, dealing with peace, order and good government. I can see no reason why it should be suggested that the loans which have been made during recent years to the provinces were not validly made and were not within the jurisdiction of this parliament and the government of Canada.

As to the other suggestion contained in this address, that the legislatures should be authorized to give certain guarantees to the dominion government with respect to the payment of the guaranteed securities and the interest thereon, I should have thought that end could have been accomplished by statutory enactments of the provinces concerned, in other words that by cooperation between this parliament and the legislatures of the provinces the same end could have been achieved more quickly and equally effectively.

There is, however, one element that enters into this part of the address. Paragraph 4 authorizes the government of Canada, in payment of principal, interest or sinking fund of the guaranteed securities, to withhold payment to the provinces of subsidies which have been granted in part by statute of the parliament of the United Kingdom and in part by statutory enactments of the parliament of Canada. It may be that in order to authorize the government of Canada to withhold the payment of subsidies when provincial governments are in default, or to withhold the payment of other funds in the nature of revenues received or collected by the government of Canada on behalf of the province, or to make direct payment of these funds to the creditor of the province, some additional statutory authority is required to remove any doubt as to the authority of parliament and of the government to deal with such matters by virtue of legislation of the parliament of Canada. But I do say, by way of suggestion, that instead of the rather verbose and extensive enactment suggested in this address, the desired end might have been accomplished by a short enactment of the parliament of the United Kingdom expressed in ten or a dozen lines. However, a short time ago I noticed that on March 23 the Minister of Finance (Mr. Dunning) wrote:

> The dominion government to-day were strongly of the view that it would not be advisable to go forward with constitutional amendment bill resolution for which is now on the order paper if any of the provinces object to its being proceeded with.

I have read the correspondence as submitted, but I fail to find that the government of any province has acquiesced in this legislation with the exception of the government of one province, Saskatchewan. Therefore it may be premature to invoke the legislative power of the parliament of the United Kingdom before it is ascertained at least that the governments of the several provinces are disposed to acquiesce in and carry out the general policy which the Minister of Finance has announced. I do not know when he changed his mind, but apparently it has been changed. I say that because the tenor of the correspondence, as I understood it, was that he would not proceed with the address to secure a statute of the parliament of the United Kingdom unless there was clear evidence that the governments of the provinces would acquiesce therein, and by virtue of the same statute enact provincial legislation to authorize the province to enter into such an agreement.

Mr. DUNNING: I do not think the correspondence the hon. member quotes quite bears out that statement.

Mr. CAHAN: Possibly not, but the inference I have indicated can be fairly drawn from it. I do not wish to misrepresent the position of the hon. member. I remember a smile of approval that awakened some controversy in the house, because that was one of the matters of which I approved at the time the Minister of Finance made his statement.

However that may be, it seems to me opposition to that part of the address is not justified to the extent that opposition to the first part of the address may be fully justified. We have reached a situation in Canada which has been brought about partly by the undue expenditures of some of the provinces, expenditures which if their nature were well known to the public of those provinces could not have been justified by public opinion. On the other hand some of the western provinces have been overtaken with emergent conditions by reason of which the parliament of Canada has been fully justified in extending such necessary financial aid and assistance as lay within the power and disposition of

parliament. Therefore with regard to the second part of the address I for one will not vigorously oppose it. I should prefer to have had it drafted in somewhat clearer terms and to have limited it to dealing with emergent conditions, as we now know them; because I clearly foresee that this address, if expressed is an enactment of the parliament of the United Kingdom, will simply lead to more intense agitation in the future to compel the parliament and government of Canada to assume the existing liabilities and to guarantee future liabilities of the several provinces whenever and however they may be incurred, reasonably or otherwise.

The Minister of Justice has called attention to the fact that from the day parliament began to grant subsidies there has been continuous agitation by the provinces for additional legislation of either the parliament of the united kingdom, or of this parliament, under which the federal treasury would undertake to provide increased additional annual subsidies to meet provincial expenditures. And as pointed out by Sir Wilfrid Laurier in the quotation read by the Minister of Justice, we never will be free from recurring difficulties of that kind until some way is found by which the responsibility of the government spending the money shall be extended to and include responsibility for providing revenues by taxation or otherwise to meet the expenditures so deemed necessary.

Referring to my native province of Nova Scotia, may I say that a government with so distinguished a member and attorney general as the late Sir John Thompson was turned out of office in that province because of the large annual expenditures it was making on public services, an amount which at that time was less than $400,000 a year. The people were so much aroused over this enormous expenditure by a province the population of which was then not much less than its present population, that they rose in their wrath and by the ballot box turned that government out of office. And yet no province has been more persistently and continuously demanding financial assistance from the federal treasury. And to-day, although renewed grants have been given, I notice that with annual expenditures reaching at least several millions of dollars the government of Nova Scotia assumes it will have a large deficit on financial operations for the current year.

I was hoping, somewhat from a personal point of view, in view of the position taken by the Prime Minister (Mr. Mackenzie King) when in opposition, that with the support of all provincial governments and premiers following the last general election he would be placed in a position whereby through conference, discussion and agreement he could reach some final disposition of these great difficulties, through curtailment of the large and excessive expenditures of the provinces or by insisting that they assume full responsibility for raising the revenues necessary to cover their expenditures. I suggest there are no difficulties under the present Canadian constitution in the way of a province providing revenues necessary to meet its reasonable expenditures, if it will assume that responsibility. The reason the provincial governments do not wish to exercise the powers they now have is that the imposition of direct taxation would bring to the minds of the electorate the absolute necessity for curtailment and restriction of provincial expenditures to a limit reasonably within the financial means of the people resident within those provinces, who are subject to provincial taxation.

I do not contend therefore that the house should reject the second part of the address. I wish it were expressed in other terms; preferably that it were expressed as a definite amendment to one or more sections of the British North America Act, or in the alternative that it were made the subject of a new British North America Act for the year 1936. But apart from that, and dealing now with the first part, I entertain very strong objection to the first part of these proposed enactments. In the first place, as one who has lived since the confederation was formed, and as one who within twenty years of the confederation opposed two very earnest, exciting and strenuous campaigns in Nova Scotia in favour of secession of the province and the repeal of the union—the first part I ever took in political life—

Mr. DUNNING: You are in favour of repeal, are you?

Mr. CAHAN: No; I met Mr. Fielding night after night for weeks debating his program of secession and although he carried the province in the provincial election of 1886 I think I contributed something, and I have thanked God that I did contribute something towards reversing that decision in 1887. No one could later in life admire that gentleman more than I, but he so developed in Canadian politics, as a member of this house and as a member of the Canadian government that you could hardly conceive in his later life that he had entertained the narrow views which he attempted to perpetuate when leading as premier of the province in the legislature of which I was leader of the opposition.

Mr. BENNETT: He even disfranchised civil servants.

Mr. CAHAN: Amendments to the constitution are not matters that can be dealt with so frivolously as amendments to or changes in municipal regulations with regard to the imposition of a dog tax or something of the sort. One of the younger members of this house stated, as reported the other day, that the British North America Act was hurried in its preparation of two or three weeks. I suggest to him that he study more carefully the history of the French and British communities that settled north of the forty-ninth parallel. The germs of the confederation idea came from the sixty thousand men of the French race and of the Catholic religion who were left practically deserted when the naval and military and civil authorities of France evacuated Quebec and Montreal, and left those people under the guidance of their clergy to work out their own destiny on the banks of the St. Lawrence river. The germs of the confederation idea were in the minds of the tens of thousands of men who left the New England states, and especially the state of New York, and came down and settled in western Nova Scotia, which then comprised the shores of New Brunswick to the Maine border, and there attempted to work out their own destiny as British subjects, enjoying, as they hoped to do, the liberties and privileges which appertain to British citizenship. I know something about that. I cannot give this as a fact but I know that in my early days it was stated in western Nova Scotia, where I was born, that so many people came to Nova Scotia and settled there as a result of the war of revolution in the United States that at the close of that revolutionary war there were more graduates of Harvard university settled in Nova Scotia than in all other parts of the world—men of education and men of culture who assisted with the other immigrants from the United Kingdom—and from Germany even; because the German settlers of Lunenburg were among the best—in working out the constitutional reforms which give full liberty and parliamentary privileges to colonials of British citizenship.

I do not know so very much about Ontario, but I do know this, that after the battle of Culloden the followers of Bonnie Prince Charlie under Flora Macdonald left by thousands and settled in northern Carolina, forming there new Scotch settlements. At the outbreak of the war which we call the revolutionary war they enlisted in hundreds and thousands in the ranks of the British, and when finally New York fell, those men with their families, Scotsmen who had fought in favour of the Stuarts, Scotsmen who had fought against the British crown in their day, came with their oxen and with their teams, and others by boats up the Hudson river, across the frontier, and established the Scotch settlements at Glengarry, Cornwall, Argenteuil and along the banks of the Ottawa river, and attempted, as they did successfully, to re-establish for themselves homes under British sovereignty. These men brought with them the ideas which germinated and found expression in the British North America Act, that act representing an expression of the profoundest emotions of these people and of others who had been born and bred in this country, all of whom agreed, irrespective of their political affiliations, to unite to carry the confederation program to success. And entertaining those ideas—because I have lived for a certain time of my life among men who would rather fight and die than see any changes made in the British North America Act which they regarded as contrary to their best traditions and their best aspirations—I look upon that act, I look upon the constitution of Canada as something that should not be amended frivolously or without impartial and anxious investigation and study.

The program which we are initiating on this occasion is, I think, to be regretted because the adoption of this address will reaffirm the past procedure by which amendments to the British North America Act of 1867 may be procured from the parliament of the united kingdom, upon an address from the parliament of Canada alone, and without any express acquiescence or consent on the part of the legislatures or governments of the several provinces of Canada. All the prolonged discussions which we have had during the years with regard to new arrangements for amending the constitution of Canada by the acquiescence and consent of minorities and by the acquiescence and consent of the several provinces are now abandoned so far as this amendment is concerned, and we reaffirm the procedure adopted in times past, and always accepted by the parliament of the united kingdom in times past, that amendments to the British North America Act are made and will continue to be made on an address from the parliament of Canada alone. To proceed in this manner is establishing, in view of recent discussions of, a very unfortunate precedent.

The Minister of Justice has said that there has been so much doubt as to the legislative authority of the provinces in respect to taxation that the legislation suggested in the first part of this address should be passed to remove those doubts. I suggest that we have reached

a stage in the development of judicial decisions in Canada when there is now no doubt with regard to the division between the acts of the provinces which are ultra vires in that they imposed indirect taxation, and those which are intra vires by reason of the imposition of direct taxation. Section 92 of the British North America Act provides:

In each province the legislature may exclusively make laws in relation to matters coming within the classes of subjects next hereinafter enumerated; that is to say,—

2. Direct taxation within the province in order to the raising of a revenue for provincial purposes.

If this proposed amendment is sent to the British parliament in the form in which it is now expressed, I do not think it will prove creditable to whatever department drafted it. It proposes the addition of a new paragraph to section 92 of the British North America Act, to be known as paragraph 2A. Where do you add it? Do you add it at the end of section 92? Do you incorporate it with paragraph 2, or is it intended that paragraph 2 shall be divided, one part comprising the present paragraph 2 and the other part comprising the new paragraph 2A? As it is provided in this address, the imposition of indirect taxation within the province is not related to the governing preamble, if I may call it that, of section 92. At least it should read thus:

In each province the legislature may exclusively make laws in relation to matters coming within the classes of subjects next hereinafter enumerated; that is to say,—

2A. Indirect taxation within the province in respect of:

(i) retail sales, other than of all alcoholic beverages, spirits, malt, tobacco, cigarettes and cigars which are subject to customs and excise duty or tax in Canada or other than of all goods and articles for delivery without the province;

(ii) the patronage of hotels, restaurants and places of amusement or entertainment;

in order to the raising of a revenue for provincial purposes.

I doubt even if one had the enlightenment and perspicacity of the famed Philadelphia lawyer, whether he could decide what is meant by the patronage of hotels, the patronage of restaurants and the patronage of places of amusement or entertainment. In a constitutional amendment of the importance of this one, which tends to undermine and, I think I am safe in saying, to destroy the financial stability of the government of the Dominion of Canada, we should not use the language of ordinary parlance; we should so express ourselves in English or in French as to convey a clear and definite and unambiguous meaning. I suggest, therefore, that the address should set forth the exact words and form of the proposed amendment. I suggest that the end would best be obtained by repealing the existing clause 2 of section 92 of the British North America Act and substituting therefor a new clause to cover the old clause and the proposed amendment. If we were amending an act of the parliament of Canada we would deal with it with a certain degree of circumspection so as to have it appear properly upon the statute books.

[Mr Cahan.]

What does this clause imply? There is only one exception with regard to indirect taxation within the province. You can impose indirect taxation with respect to all commodities except alcoholic beverages, spirits, malt, tobacco, cigarettes and cigars. On the other vast range of commodities which enter into the ordinary consumption of the people of Canada, the provinces are left free to impose such indirect taxation as they may be disposed to enact.

The hon. gentleman referred to certain decisions which have been given with respect to what is direct or indirect in connection with the imposition of taxes by provincial legislatures. He referred to several decisions and I intend to refer briefly to two or three in an effort to show that there is no real inconsistency or confusion between those decisions; that there exist clear and express definitions of the indirect taxation which it has been sought unlawfully to impose and of the direct taxes which may be lawfully imposed under the British North America Act as it exists at the present time. I quote from the case of the Attorney General for Manitoba v. the Attorney General for Canada, 1925 Appeal Cases, page 561. The question here was in connection with sales of grain on the exchange in Manitoba. Viscount Haldane says at page 566:

As to the test to be applied in answering this question, there is now no room for doubt. By successive decisions of this board—

The judicial committee of the privy council.

—the principle as laid down by Mill and other political economists has been judicially adopted as the test for determining whether a tax is or is not direct within the meaning of s. 92, head 2, of the British North America Act. The principle is that a direct tax is one that is demanded from the very person who it is intended or desired should pay it. An indirect tax is that which is demanded from one person in the expectation and with the intention that he shall indemnify himself at the expense of another. Of such taxes excise and customs are given as examples.

A clear definition was also given in 1925 by the judicial committee of the privy council. The only difficulty was that the provinces

were,—I dislike to use the word—endeavouring to filch jurisdiction from the parliament of Canada. I trust I am not using that word improperly. They were endeavouring to increase their jurisdiction with regard to taxation at the expense of the federal taxing authority. Therefore they were not prepared to accept that clear definition as to direct and indirect taxation.

Mr. DUNNING: Is the case the hon. gentleman is quoting that referring to the Manitoba tax on futures?

Mr. CAHAN: It had to do with the sales of grain, but futures are involved to a certain extent.

Mr. DUNNING: They were trying to tax the people of another province, which is a different question.

Mr. CAHAN: That was not the ground of the decision.

Mr. DUNNING: One of the grounds.

Mr. CAHAN: The decision which I have just read was on the question whether it was indirect or direct taxation.

Mr. THORSON: The question whether it was taxation within the province was also involved.

Mr. CAHAN: Quite so, but in citing the decision I am confining myself to the distinction between indirect and direct taxation.

The next decision which I think is important is that of the Attorney General for British Columbia and the Canadian Pacific Railway Company, 1927 Appeal Cases, 934. This case arose out of a statute of the province of British Columbia authorizing taxes to be imposed on sales of fuel oil, and the judgment of the court may, I think, be summarized in this form. If from the terms of the act there appears an expectation and intention that the person required to pay the tax will indemnify himself on resale of the commodity taxed, the act is ultra vires of the provincial legislature. The act in question provided that every person who purchased within the province fuel oil sold for the first time in its manufacture in or importation into the province should pay for provincial purposes a tax equal to ½ cent per gallon on the oil purchased. It was held by the judicial committee of the privy council that under the terms of the provincial statute this tax would apply even if the first purchasers bought and resold the oil they had bought and that therefore the tax became an indirect tax and its imposition was ultra vires of the provincial legislature.

The next case which seems to be of importance is that of the King v. Caledonian Collieries, 1928 Appeal Cases, 358. In this case the provincial legislature sought to impose what they called a direct tax payable by the owner of a mine upon the gross revenue of his mine as received during each preceding month. The tax was imposed upon the gross revenue and it was held by the judicial committee of the privy council to be in reality a tax upon the aggregate of sums received from the sales of coal and equivalent to a tax upon every sum received from the sale of coal and therefore that this tax was ultra vires of the provincial legislature. It was in fact a tax imposed upon the gross retail business of a mining company, compelling the mining company to pay the tax and leaving the company free to collect compensation for the tax from those who purchased and consumed the coal.

The next case, in my opinion a very important one, clarifies the situation; it is the Attorney General for British Columbia v. Kingcome Navigation Company, 1933 Appeal Cases, 45. The material provisions of the act of the British Columbia legislature for 1930, as amended by the act of 1932, which came under investigation in this case, were as follows:

2. For the raising of a revenue for provincial purposes every person who consumes any fuel oil in the province shall pay to the Minister of Finance a tax in respect of that fuel oil at the rate of ½ cent a gallon.

3. The tax imposed by this act shall be paid and collected at such times and in such manner as the regulations may prescribe.

4. The amount of any tax imposed by this act may be recovered by action in any court as for a debt due to the crown in right of the province, and the court may make an order as to the costs of the action in favour of or against the crown. In every action for the recovery of any tax imposed by this act, the burden of proving the quantity of fuel oil consumed by the defendant, and of proving that the tax has been paid in respect of the fuel oil in question, shall be upon the defendant.

The burden of proof was made very clear. Their lordships in their decision quote the previous decisions of the judicial committee to which I have referred, and declare:

These decisions, in their lordships' opinion, make clear that if the tax is demanded from the very persons who it is intended or desired should pay it, the taxation is direct, and that it is none the less direct, even if it might be described as an excise tax, for instance, or is collected as an excise tax.

And at page 59 they continue:

Turning then to the provisions of the Fuel Oil Act here in question, it is clear that the act purports to exact the tax from a person who has consumed fuel oil, the amount of the tax being computed broadly according to the amount consumed. The act does not relate to any commercial transaction in the commodity

between the taxpayer and someone else. Their lordships are unable to find, on examination of the act, any justification for the suggestion that the tax is truly imposed in respect of the transaction by which the taxpayer acquires the property in the fuel oil, nor in respect of any contract or arrangement under which the oil is consumed, though it is of course possible that individual taxpayers may recoup themselves by such a contract or arrangement; but this cannot affect the nature of the tax. Accordingly their lordships are of opinion that the tax is direct taxation within the meaning of section 92, head 2, of the British North America Act.

It is clear therefore that this Fuel Oil Act of British Columbia, imposing a tax upon every consumer of fuel oil according to the quantity which he has actually consumed, is valid and that it is direct taxation because it is exacted from the very persons who it is intended or desired should pay it.

Any lawyer or layman who reads and compares carefully that decision of 1933 and the decision of 1927 may clearly determine, I believe, the difference between an indirect and a direct tax in regard to sales made in Canada.

Mr. FINN: Were both those judgments which the hon. gentleman has read delivered by the same tribunal?

Mr. CAHAN: Yes, the judicial committee of the privy council—a different personnel from year to year, I assume, but the same judicial tribunal.

Under this proposed amendment, if it goes into effect, the provincial legislature will be enabled to levy an annual tax or a monthly tax upon the gross retail sales of each and every department store, general store, merchant, druggist or village grocery, compel returns to be made by each and all of the retail sales which each of them has made, and enforce payment of such a tax, for which compensation may in turn be collected in the increased prices charged for all commodities sold and comprised in such retail sales.

The provincial legislature, if this amendment is adopted, may impose and collect such taxes from certain commodities—I repeat, from certain commodities—and exempt other commodities from such taxes. The provincial legislature in any of the provinces may, if this amendment goes into effect, impose such taxes on the products of other provinces when retailed in the one province which enacts the legislation, while exempting from tax the commodities produced in that province which exercises its legislative jurisdiction by imposing indirect taxation. This fact opens up a very broad inquiry. The very basis of the British North America Act was that customs duties on interprovincial trade were abolished, and therefore, under section 122 of the British North America Act, all customs and excise duties were vested in the parliament of Canada and in the government of Canada. But this proposed amendment will clearly authorize each of the several provinces to impose discriminatory excise taxes upon the retail trades, and so in effect retard or practically preclude interprovincial trade with the other provinces, and so impose these taxes as to raise a protective wall of excise duties, instead of a protective wall of customs duties, against the trade of that province with the other provinces of Canada. This proposed amendment, I suggest, nullifies the most important provision of the British North America Act with regard to the imposition of taxes and will thus retard or preclude free interprovincial trade between the several provinces of Canada.



Mr. THORSON: The dominion government will still have the power of disallowance of provincial legislation.

Mr. CAHAN: That is another thing. I have not seen any such stubborn and vigorous resistance, on the part of this or previous governments, to any prejudicial provincial legislation as to suggest that they will have the courage to disallow, as my hon. friend suggests, provincial legislation of that kind. Take it for what it is worth, but as a matter of fact my opinion is that the power to disallow provincial legislation should play a very important part in the administration of dominion and provincial affairs; but this government will recognize, as previous governments have recognized, that a province which is powerful and strong, and whose political support is required for other purposes, will not be restricted by the administration of effective veto power.

Mr. MACKENZIE KING: We might leave out the last qualification.

Mr. CAHAN: Effective veto power?

Mr. MACKENZIE KING: No,—"whose political support is required." I do not think that needs to be mentioned.

Mr. CAHAN: Well, perhaps not. I was not applying it to the right hon. gentleman; I was applying it generally. We who have watched the development of political affairs, and especially of partisan organizations, in Canada for a number of years know that there are powerful influences of that kind which may be brought to bear against the exercise of the veto power in respect of provincial legislation prejudicially affecting any other province of Canada.

Let us see where we are at. If hon. members wish to study further the probable results of this amendment, I ask them to apply to the Department of National Revenue or to the King's Printer and secure an office consolidation to date of the Special War Revenue acts and amendments, and they will find, under sections 85 and 86, the law under which the existing sales tax is imposed in Canada. Speaking generally—there are some slight exceptions—it is payable by the producer or manufacturer at the time of the delivery of such goods to the purchaser thereof, and it is payable by the importer or transferee in Canada of the importer of foreign goods, upon the value as fixed, according to the statute, of the imports so brought into the country. Then you read, in schedule 3 to section 89 of the act, the large number of commodities which the parliament of Canada in its wisdom has exempted from the operation of the sales tax, and, remembering that this proposed amendment to the British North America Act will allow each and every province to impose sales taxes upon the retail of each and every one of these commodities now exempted, you will see the wide scope of this proposed legislation. More than that, when you realize that, under the decisions of the judicial committee of the privy council, each and every of these provincial legislatures may impose the tax, not upon the purchaser of the commodity, but by entering every village store and compelling a return of the total of its retail sales for a year or month or any other period—

Mr. DUNNING: You mean they can do that now?

Mr. CAHAN: No, they can do it under this proposed amendment.

Mr. DUNNING: But not now.

Mr. CAHAN: That is the one thing they cannot do now, under the decision I read. The judicial committee held that that was indirect taxation, but you are now opening up anew the whole scope of indirect taxation.

Mr. TUCKER: Is the hon. member not overlooking the words, "indirect taxation within the province"?

Mr. CAHAN: Oh, I am dealing with it generally. I am not overlooking it. These retail sales are made in the province. It may be possible—though I do not wish to enter into that for the purposes of this discussion—that a resident of Ottawa could go across to Hull, make certain retail purchases, ask to have the articles delivered in Ottawa, and thereby escape the Quebec provincial retail sales tax. But I am now dealing with general principles.

Now let us look at the facts. In his budget address the Minister of Finance gave certain figures. They are general figures, and for 1935-36 they were subject to adjustment as of March 31, but I take the figures as he gave them in his budget address. For the year ending March 31, 1935, the sales tax of the dominion aggregated $72,447,000, in round figures. For the year just closed on March 31, 1936, it was estimated that the sales tax would aggregate $77,000,000, and while in his estimated revenues for the current year the minister did not take fully into account the proposed increase, yet he very frankly stated that the increase in the sales tax from six per cent to eight per cent, as far as he could say at that moment, probably would provide an additional revenue of $23,000,000. Of course I am not quoting these figures for the purpose of holding the minister to these estimates but simply for the purposes of illustration. Assuming that the proposed sales tax of eight per cent on commodities sold by either the producer, the manufacturer or the importer bring in a return of $100,000,000 for the present year, I ask hon. members to compare that with the actual amount raised annually through customs duties in recent years. The suggestion is made that because the federal department and government have jurisdiction with regard to customs taxes, and because these customs taxes are so immense, the federal treasury should share these receipts with those provinces who have been clamouring for assistance. But I call attention to the fact that the total customs duties collected in Canada for the year ending March 31, 1935, were only $76,562,000, and the estimated collections for the year ended March 31, 1936, there being a few odds and ends which might come into the account as of March, amounted to only about $74,000,000.

Mr. DUNNING: That is approximately correct.

Mr. CAHAN: Then if you are to give these provinces this wide jurisdiction which will enable them to impose what are virtually excise taxes, indirect taxation, upon every dealer who is not a wholesaler—unless he engages in the retail trade also—and upon every petty store throughout the whole country, a tax upon the aggregate retail sales made by that store, you are authorizing a taxation which must directly compete with the federal sales tax which you are imposing at

a very high rates for the purpose of assisting us to do what I am glad to see the Minister of Finance endeavouring to do, that is, to come somewhere near meeting the annual expenditures of this dominion.

In view of that result; in view of the door that you are opening up to excessive taxation; in view of the fact that, even if you do not extend dominion taxation, just between the dominion and the province you are now authorizing a turnover tax upon everything sold in the retail trade of this country, do you not think parliament should hesitate before passing this address in the form in which it is expressed and without more consideration than has been given it by the public? I have looked through the report of the recent dominion-provincial conference. I listened to the suggestion of the Prime Minister when he laid that report upon the table, that for the first time in recent history there was laid upon the table a full, complete and accurate account of what had transpired at a dominion-provincial conference. Therefore with hope and expectation I took up the volume, thinking I would find some definite information which I had never been able to obtain from a public document of that kind, but I found nothing. I found nothing of any discussion that took place, either in the conference itself or in the meetings of the several committees, which disclosed that there had been any clear, intelligent and earnest effort to ascertain what this proposed amendment would mean to the people of Canada and to the trade and commerce of this country. In fact I could not find a single reference to that. I may have overlooked something; it is some days since I examined this report and perhaps my memory is not as good as it used to be, but I do not remember finding a single suggestion in the whole report that it was proposed to transfer to the provinces authority to levy indirect taxation on all retail sales.

I suggest, therefore, that such an important change in the operation and administration of the finances of Canada should not be made, or at least such an amendment to the constitution of Canada should not be made until this proposition is laid before the people of Canada generally so that there may be full, fair and frank discussion of its import and of its prospective results. On that ground, therefore, I am opposed, and must express my opposition, to the first part of the address.

There is a further point. I do not intend to return to the question of what the patronage of hotels means. I do not know. It may mean that I must pay a tax every time I enter the door of a hotel in order to buy a cigar, as I sometimes do in the city of Montreal on my way from my residence to my office. Does it mean a tax on the entire receipts of the hotel from all the people who attend that hotel during six months or a year? It is indirect, and therefore you can compel each hotel in each city and town to make a return under oath at the end of a month or a year showing the entire receipts of the hotel from its customers, from those who are lodging there or others who may be transient visitors.

Mr. BENNETT: Excluding liquors and beers.

Mr. CAHAN: Except the purchases of their liquors, cigars and cigarettes. But upon the entire receipts of the hotel, with the exception of those of the bar, you can compel returns and impose a very heavy retail tax upon them. The scope will be wide, if it is carried out to the full extent that it may well be carried. As a result, I suggest that in the course of the next two years the Minister of Finance will be on his knees before the provincial governments praying that they come to his aid and share with him something of the spoils they will be able to acquire out of this amendment to the British North America Act.

Mr. DUNNING: That is a new thought.

Mr. CAHAN: Well, it is an obvious thought, when one compares the greatly reduced revenues we obtain annually from customs taxes, revenues which I believe are to be still further reduced—at least I thought I heard that suggestion from hon. members on the Liberal side of the house who discussed the budget.

Mr. DUNNING: I think the hon. member may depend upon the volume of revenue returned being rather higher.

Mr. CAHAN: I should hope so. If retail sales are to be taxed to any extent provincial authorities may desire, we will undermine and involve in extreme difficulty the whole administration of federal finance.

The address contains these words:

(2) The said clause 2A shall be deemed to have retroactive effect with respect to provincial legislation in force at the passing of this act.

Well, I confess that when some doubts were expressed as to the original admission of Manitoba under a clause of the British North America Act which provided for the admission of Rupert's Land, as Rupert's Land was somewhat more extensive than that part of it which was described as Manitoba when Manitoba was formed into a province, it was deemed expedient in dealing wtih an important con-

stitutional matter to have the admission of Manitoba confirmed. That is altogether different from this retroactive legislation.

In this instance the courts of the country have declared that the imposition of indirect taxation by the legislatures of the several provinces is and has been unauthorized, that it was illegally effected; that it was as much illegal as if I, passing on the street, put my hand in another person's pocket and took out his pocketbook. The only difference would be that if I took the pocketbook I would be subject either to civil action for the return of the money or to criminal action for violence and robbery upon the public highway. But the provinces were able to protect themselves from civil action by refusing petitions of right to allow civil actions to be brought against them. They exercised the prerogative right of the crown in refusing, in many cases, to allow such action for the return of money they had improperly and illegally exacted from those who had made the payments. Here the government asks parliament, by passing the address, to confirm the validity of all that illegality, and asks the parliament of the united kingdom to pass such legislation as will give such confirmation as will undoubtedly validate all this past illegality, and allow the process to continue for the future. I suggest you will not be maintaining due regard for the reputation and probity of this parliament if you ask the parliament of the united kingdom to enact such retroactive legislation.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, at this time I do not wish to quarrel with the first part of the resolution, but with the second part I have a quarrel. I am deeply concerned with certain words appearing in that part, namely, the words "prescribe the terms and conditions upon which any guarantee so authorized shall be given." Those words are capable of a wide variety of interpretation, and as they stand are capable of taking away from the province accepting the agreement all the power that is worth while which the province possesses.

Mr. FINN: To what section does the hon. member refer?

Mr. BLACKMORE: I am referring to section 2, line 5, and the words "may prescribe the terms and conditions upon which any guarantee so authorized shall be given." We must be constantly watchful that our liberties be not taken from us in an unexpected moment. So much of the management of the world is accomplished through secret diplomacy, and so many of the decisions which make or mar our happiness in life are made behind screens, so to speak, that the ordinary man on the street is rendered completely helpless either to express or to form an opinion.

As an instance of this may I read an article which, when I read it on my way to parliament, astonished me. I read an extract from New Democracy of January 1 to 15, 1936, under the heading Dynamics of Education:

> An article in the New Age of November 8, 1934, entitled Gold, History and Liberty set me studying the history of the agitation leading to the second Reform Act of 1832. It was amazing to learn in the article that "The true facts of that tremendous historical occurrence known as the passing of the second Reform Act 1832 have been deliberately suppressed by successive governments, and that standing orders have been given to the permanent officials in government departments to take the utmost precautions by means of the government secret service that none of the real facts connected with the passing of the second Reform Act shall ever be published in any history or book of historical reference, whether the same is intended for school boys, university students, or professional historians."
>
> It was in this article that I learnt for the first time of the existence of a permanent government official receiving a salary of £1,200 a year and pension—

Mr. DUNNING: Is it true?

Mr. BLACKMORE:

> —known as historical adviser, whose miserable degrading duty consists in advising the government of the day how to evade and suppress historical truth in the interest of the professional politicians.

Now, Mr. Speaker, I have told where I got the article. I have exercised extreme caution, which I propose to do in all my speaking before this house, to tell the people where I get the information, and let them argue with the authors and not with me. This comes from an extract from New Democracy, January 1 to 15, 1936.

Mr. DUNNING: Who takes responsibility for it? Does my hon. friend?

Mr. BLACKMORE: The author is Doctor Joyce B. Mitchell, and the extract is from a series of three articles on Social Credit Dynamics.

Mr. MACKENZIE KING: Does my hon. friend himself believe to be true the statement he has read?

Mr. BLACKMORE: I have no reason for doubting the truth of this statement, and inasmuch as I have never been connected with the British government the question lies open to my mind. I point this out merely to show how exceedingly careful we need to be lest we be trapped by forces which are working in secret.

In the first place there is a money power in this world. Let every individual in the Dominion of Canada and throughout the British empire know of a surety that there is a money power working in this world, and that it is seeking definitely to enslave mankind. If we are deluded into disbelieving that, it will not be to our credit when future generations look back upon the history of these days. Now, is this great money power at the present time seeking to gain control over Canada? I am going to quote another passage. This one, of course, a great many people will laugh at because it is Major Douglas speaking, in his evidence taken before the agriculture committee of the Alberta legislature, during the session of 1934. It is printed on page 103 of the report of the investigation which was made by that body. I commend the words of this man to every thoughtful person in the Dominion of Canada. In his evidence Major Douglas said:

Well, the answer to the first of those questions I gave a short time ago, that if you have no powers—

He was speaking to Alberta:

—you cannot do anything; but I feel fairly certain that the logical result of saying, "We must refer this thing to Ottawa," would be in effect, if not in words, "We must refer this thing to London." We are so interlocked with the international finance system that we cannot do anything in Ottawa. We must do it through London. And when you get to London you would be told, "Ah, yes, but we must do that in conjunction with the Bank of International Settlement." There is absolutely no point at which you are going to stop if you are going to surrender your liberty; that is about what it amounts to, absolutely no point at all. And in these financial questions, the definite strategy of the existing financial powers is to make this a world so that no section of the world will ever be powerful enough to have it altered. All I can say in regard to all these questions about Alberta is that if you want to get anything done the best way to get it done is to begin at home and find out how you can do it, and I believe that if you tackle it in that spirit you can do it, but you certainly are not likely to do it by referring it to Ottawa.

I regret to say that my experiences since I have arrived in Ottawa have all led me to agree absolutely with the truth of that statement.

Mr. FINN: With the consent of the hon. gentleman, might I ask him if he has read the statute of Westminster?

Mr. BLACKMORE: I will deal with any and all comers just as often as they come, including the hon. gentleman, if he will just let me deliver my speech first.

Is this power definitely aiming at the present time to destroy British freedom? I am going to quote now from the Ottawa Citizen of Wednesday, February 26, 1936. I am reading from its editorial column on Bank of England imperialism. I believe that this has a serious message for all Canadians. The editorial says:

Statements by some of the highest authorities at imperial headquarters in the city of London leave no doubt about the will to bring Canada into the hegemony. The governor of the Bank of England, Montagu Norman, gave more than a hint of the aim of imperial finance when he spoke as reported in the Times, March 21, 1930. A previous speaker, Mr. Hargraves, had said: "They held the hegemony so far as this country was concerned in finance and he thought he might say, considering the way in which they were regarded in foreign countries, that they also held the hegemony of the world." The governor of the Bank of England commented as follows: "He was glad to note what Mr. Hargraves said about the hegemony in one place and another. He believed it was largely true so far as overseas were concerned, and if it was true it was largely the result of work which the bank had devoted, first of all to the stabilization of Europe, and secondly to the relatonships between the central banks, which were originally advocated at Genoa."

The editorial goes on to say:

On a later occasion at a banquet in honour of the Right Hon. Neville Chamberlain, Chancellor of the Exchequer, given by London financiers and merchants, the governor of the Bank of England, Montagu Norman, grew lyrical in drawing a picture of plums waiting to be plucked under this inspiring policy of imperial central banks. He said, as reported at the time by the Evening Citizen's London correspondent, A. C. Cummings—

Mr. VIEN: What date please?

Mr. BLACKMORE: These words are exceedingly important. I continue with the quotation:

"I want you to cast your minds back five or ten years to a time when in the dominions there were no central banks. I wish you to realize that beginning with Australia and South Africa, there have now been added to those, eight central banks actually in being or in course of being started in New Zealand, India and Canada.

Anybody a few years ago who expected to see that or who attempted to hope for that would have been looked upon as a visionary.

I hoped to see it. I was not called a visionary; I was called a fool.

I should like to assure you, and in particular the chancellor, that those banks and others for that matter, will have a common object.

Note the words. The editorial continues:

The desire, I know well, towards the community is to be of service—

What kind of service? We in Canada are already realizing what kind. I continue quoting:

—and towards governments to give advice, cooperation and loyalty. Take that from me. It is not much to take, but it is an important question and an important point.

Does that or does that not bear out what Major Douglas said in Alberta in 1934? I leave that to the members of this house to decide. We may smile at this thing, but the day may come when we shall regret those smiles in something deeper than tears. It would not be the first time the people have been utterly deceived and have regretted it in their sorrow. Onlookers are certainly filled with great concern about this matter, whether or not members of this house are. For example, these are a few words from a man who, I very much fear, knows a good deal about his subject. They bear directly on this matter we are considering in parliament right now.

(Quotation immediately following stricken out. See ruling of Mr. Deputy Speaker at page 2812.)

Whether or not that man knows what he is speaking about—

Mr. DUNNING: Who is the man, please?

Mr. BLACKMORE: I do not propose to give the name.

Mr. DUNNING: The hon. member should give the authority which he is quoting or accept responsibility for the statement.

Mr. BLACKMORE: I am simply stating that I have these words. Is that contrary to parliamentary procedure?

Mr. DUNNING: When my hon. friend is quoting, he must state from what he is quoting.

Mr. BLACKMORE: I am not free to give the name of the man whom I am quoting.

Mr. DEPUTY SPEAKER: When the hon member for Lethbridge (Mr. Blackmore) is quoting from an article, he must give the name of the author.

Mr. BLACKMORE: In case you do not wish to give the name, then what?

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I rise to a point of order. This is not the view which the present government took when they were in opposition. I do not think there is any authority for saying that an hon. member is bound to give the name of the author whom he quotes. I think all he is bound to do is to say that he is quoting. This would alter materially the position of hon. members who quote from the remarks of other hon. members. Sometimes these remarks contain quotations, the authors of which are not named, and for a member to be obliged to give the name of the person whom he is quoting would place him in an almost intolerable position. I have always contended that hon. members should not read from newspapers because to do so is to attempt to influence the 245 members of this house, which is not in accordance with the principles of good government.

Right Hon. W. L. MACKENZIE KING (Prime Minister): My right hon. friend has referred to a position taken by the present government when in opposition, but I cannot recall any time when the members of the present government took the view that an hon. member was not obliged to give the name of his authority when he brought into a debate an article or quoted from a communication with a view to making it an authority in support of what he was saying. An hon. member may not thus bring into a debate any document or quotation without giving the house full information as to the source from which he is quoting.

Mr. BENNETT: With your permission, Mr. Speaker. If the right hon. gentleman had received a communication from an unnamed person and he read it as something he had received, the question might be raised whether he was bound to lay it on the table, on the one hand, or give the source of it, on the other. He would not be quoting from a public authority or document. A private member would not be bound to lay such a document on the table, but if he took the responsibility of reading from a letter which he had received from some person, whether from a constituent or otherwise, the view taken was that he was not bound to give the name of his constituent; he was permitted merely to say that he had received a communication reading as follows. That was the view then taken.

Mr. LAPOINTE (Quebec East): Did my right hon. friend agree to that?

Mr. BENNETT: I am not saying that; I am only pointing out that that is what prevails in the house at the moment. Whether or not it is sound, I am not prepared to discuss at this time. I think the Prime Minister (Mr. Mackenzie King) will find that we have permitted letters and telegrams to be read without giving the names of the persons who sent them. I am quite familiar with the terms of the rule that covers this particular point.

Hon. CHARLES A. DUNNING (Minister of Finance): Mr. Speaker, on the point of order. Without quoting the rule to which my hon. friend has just referred, there is

still another very important point of order. Is an hon. member, under the shelter of that rule, permitted to read a communication or an alleged communication containing statements which he would not make on his own responsibility as a member, statements which by innuendo reflect upon this house or some member or members of the house, particularly when the extract read indicates a conspiracy against the wellbeing of this country? In the quotation the hon. member has named two or three parties and then leaves a blank. Apart from your ruling, Mr. Speaker, I appeal to the hon. member in the interests of the decency of debate not to follow such a course.

Mr. BENNETT: The limitation is that he assumes the responsibility of his statement.

Mr. DUNNING: He did not say so.

Mr. BLACKMORE: Am I permitted to go on, Mr. Speaker, or is it your ruling that I must withdraw the statement?

Mr. LAPOINTE (Quebec East): Unless you take the responsibility for it.

Mr. DEPUTY SPEAKER: The hon. member for Lethbridge (Mr. Blackmore) must reveal the name or take the responsibility himself for the article.

Mr. BLACKMORE: I must give the name, take the responsibility, or what? You see, Mr. Speaker, we do not know the rules by which you people play these games. All we want to know is what are the rules and we will play according to them. As soon as we learn them, we will play according to them pretty hard. I will withdraw the statement, if you say I must. Naturally, I do not propose to take the responsibility for the statement nor do I propose to give the name of the person who wrote it. It cannot be revealed at the present time, so I will withdraw.

Mr. DUNNING: The hon. member must withdraw or take the responsibility for it.

Mr. DEPUTY SPEAKER: My ruling is that the hon. member must withdraw the statement or give the name of the author.

Mr. BLACKMORE: I accept your ruling and withdraw the statement. I am glad the members of this house have had a chance to hear it.

Mr. FINN: Strike it out of the record.

Mr. BLACKMORE: The next thing is whether there is anything in this thing.

[Mr. Dunning.]

Mr. DUNNING: I rise to another point of order. The hon. member has just made a very qualified withdrawal which is in entire contradiction to the spirit of the rules of this house. In withdrawing his previous statement, which he was bound to do under the rules, he said, "I am glad the members of this house have had a chance to hear it." I submit that that is contrary to the rules; that the withdrawal must be absolute and unqualified.

Mr. DEPUTY SPEAKER: The point raised by the Minister of Finance (Mr. Dunning) is well taken and the hon. member for Lethbridge (Mr. Blackmore) must withdraw the statement completely.

Mr. BLACKMORE: I withdraw completely.

Mr. DEPUTY SPEAKER: The withdrawal must not be qualified in any way.

Mr. BLACKMORE: I withdraw completely. May I go on now?

Mr. BENNETT: Since we are discussing this matter and since the hon. member will not accept responsibility, I submit that the statement should be struck out. If the statement is made and no responsibility is accepted, it is obvious that it never should have been read. As it never should have been read, it should not appear in the record.

Mr. DEPUTY SPEAKER: The point of the leader of the opposition (Mr. Bennett) is well taken.

Mr. BLACKMORE: That is quite satisfactory to me.

Mr. DEPUTY SPEAKER: It will be stricken out of Hansard.

Mr. BLACKMORE: Must I ask that?

Mr. ELLIOTT (Middlesex): It will be done without request.

Mr. BLACKMORE: There are several sections of our own press that are distinctly apprehensive. May I quote again from the Ottawa Citizen of February 5, 1936, from the editorial column, in which there appears an article under the heading "Secession in Australia."

The loan council plan undoubtedly originated outside of Canada. The government of Australia adopted it after Sir Otto Niemeyer, from the Bank of England, had reported on the financial credit situation in the commonwealth. The same authorities at the seat of financial imperialism in London last year were urging the necessity of a so-called national government in Canada. They believed that national government would act as they desired,

to curtail the autonomy of the provinces... Secession is being discussed in Australian States: they were prevailed upon to submit to the centralized control of money power through a federal loan council.

I have another comment along exactly the same line. I quote these articles simply to show that there is really grave cause for concern. I am not in any way intimating that anyone in this house is insincere or has in any way been really guilty of any reprehensible act, but I am making this statement that there is grave cause for some concern. We find in the Ottawa Citizen of January 30, 1936, at page 28, an article entitled The Empire and the Octopus, from Overseas Notes by J.B.D. in Social Credit, London. These notes were written before the appearance of two consecutive articles on the proposed Canadian Loan Council, published in The Times on January 13 and 14:

If Canadians like the prospect of mounting debts and taxes, increased rioting of unemployed, loss of personal liberty, and regimentation of their daily lives "for their own good" by an alien power, the whole culminating in civil or foreign war, or both, they need not do a thing about it, for it will come of its own accord. If they don't want these things they will have to demand what they do want, and stop arguing about methods; otherwise they are lost. "No argument," says the Western Producer, "can dissipate the prime fact that if the provinces yield to the dominion suzerainty over financial matters, then they will have sacrificed the last vestige of power that remains with them which is of any consequence at all. The voice which suggests this drastic change may be the voice of the federal government, but the hand behind it is the banker's."

Mr. MACKENZIE KING: May I ask my hon. friend whether the matter he is now discussing could not be discussed more appropriately when we come to the Bank Act or to legislation with respect to financial councils. Has what he is discussing to do at all with the amendment to the British North America Act which is being considered by the house at the present time?

Mr. BLACKMORE: My impression is that this motion has to do with the introduction of a loan council into this dominion.

Mr. MACKENZIE KING: No, that is the point. I did not wish to suggest that the hon. gentleman might be out of order and for that reason I put my question to him in the form I did. It is conceivable that the amendment proposed may be passed and no loan council ever be introduced in this house as a consequence thereof. There will be time to discuss the question of a loan council when a measure with respect thereto is introduced.

Mr. BENNETT: It is the basis of it.

Mr. BLACKMORE: Is the Prime Minister in any way giving a commitment that this does not mean the introduction of a loan council? That is all I am concerned about.

Mr. MACKENZIE KING: It does not necessarily mean that. It is possible that in the course of this session, as the Minister of Finance has already indicated, a measure may be introduced which will have to do with loan or financial councils, but it does not necessarily follow that, because this amendment to the British North America Act is made, legislation will be introduced either at this session or at any other time with respect to such councils.

Mr. BLACKMORE: I had the impression that this had to do with a loan council. If it has not, then I agree that I had better reserve my remarks in that regard until such time as a loan council is discussed. But it certainly is the impression generally that this has to do with a loan council.

Mr. MACKENZIE KING: In order that there can be no mistake as to my position in the matter, I would say to the hon. gentleman that unless the British North America Act were amended in the manner here proposed it would not be possible for the government to introduce legislation of the kind to which he is now referring, but whether the government will introduce legislation in respect to loan councils or not will depend upon the course of events after authority is given such as is asked for by this particular amendment. The point I wish to make clear is this, that if such legislation should be introduced the hon. gentleman will then have ample time and opportunity and will then be wholly in order in discussing the matters with which he is now dealing.

Mr. BLACKMORE: I am very much pleased indeed to learn that this of itself does not mean the introduction of a loan council in the dominion, and if a discussion of the loan council is out of order in this connection I will desist at the present time. But if it means the thin end of the wedge, as a result of which a loan council is to be introduced in Canada by slow degrees, then I wish to register my protest in the most emphatic terms that are consonant with respect for the house.

Mr. MACKENZIE KING: Let me make it perfectly plain to my hon. friend. I should not like him to say, if later on legislation were introduced making provision for a loan

council, that the government had given a commitment at this time to the effect that such legislation would not be introduced I made it absolutely clear that all that this motion of the Minister of Justice does is to ask for an amendment to the British North America Act giving the government power to introduce legislation which at the present time it has not the power to introduce, and to legalize some matters which it thinks ought to be legalized.

Mr. BLACKMORE: I am at a loss to know whether to proceed or not, because what I have to say from now on does not bear particularly upon the loan council. I wish to be entirely within the rules; I want to make sure that this is the place where I may say what I want to say. Under these circumstances may I proceed?

Now there are several other matters which I wish to touch upon. I have one more set of quotations which I should like to read into Hansard for the benefit of hon. members, but inasmuch as the Prime Minister has indicated that perhaps this is slightly out of order, I will desist. However I would make these observations bearing specifically on the wording of the resolution. "Prescribe the terms" are exceedingly dangerous words to use. I do not wish to be unreasonably gloomy, but as I have said publicly time and again both inside and outside this house, I believe that what was stated on the platform and in the press by Liberal speakers and newspapers throughout the dominion before the fourteenth of October last justified the people of Canada in expecting that there would be monetary reform. So far, as I have already indicated rather mildly, I have seen no evidence whatever of monetary reform. Under the circumstances the people could not have asked more definitely for this reform than they did last October. If, having made that pointed and emphatic request, they are to be denied that which the rank and file throughout the country are coming to see is the solution of the problem, is there any possibility of their ever getting it through the medium of a dominion election? If there is not, there emerges a fact of very great importance. If the Dominion of Canada cannot be relied upon, after such a mandate as the government has received, to institute monetary reform, the only bodies which can bring it in are the provincial governments; and if they are to be bound hand and foot through the operations of a loan council which, perhaps, they do not understand, the situation becomes exceedingly serious. I do not know whether my time for speaking has expired, because I have been interrupted so much, but I should like to say a few more words.

An hon. MEMBER: Put your watch back.

Mr. BLACKMORE: While we are dealing with the loan council let me draw this fact to the attention of the house. In western Canada it was definitely understood that the budget speech last spring contained a proposal for a loan council, and that was one of the causes which contributed to the defeat of the Conservative administration; in other words, one reason why the people voted for the Liberal party was that they would not stand for a loan council. And now they are to have one. What does this all mean? I repeat, Mr. Speaker, that the situation is exceedingly serious.

Are the purposes of this act wholly innocent and harmless? I am prepared to go so far as to say that they are. But if the measure is innocent and harmless, it would be advisable for the government to change the wording so as to ensure that it will not be the means of introducing, under, let us say, some sort of misapprehension, a loan council, for the establishment of such a body in Canada at this time as could result in only the same kind of thing that has happened in the commonwealth of Australia.

In closing, let me add something which I have hitherto hesitated to say. I believe that the hon. member for Winnipeg North Centre (Mr. Woodsworth) yesterday struck a note which is of serious import. He made the statement that, as far as he could judge, the League of Nations had ceased to be of effect.

Mr. WOODSWORTH: As now constituted.

Mr. BLACKMORE: Yes, as now constituted; I thank the hon. member for the correction. We Canadians, as members of the great British race, are facing a future which holds the possibility of our being deprived of our protection. This is a serious matter. The greatest assurance of protection lies in our unity. The loan council as it has been introduced in Australia has already worked definitely towards the disintegration of that noble dominion. Plenty of evidence exists that that is a fact. If a loan council is introduced in this dominion the effect will be precisely the same.

An hon. MEMBER: Why?

Mr. BLACKMORE: Besides that, unless something is done, and done soon, to improve the economic conditions which obtain in British countries, those very conditions will

disintegrate the empire. People cannot stand indefinitely what they are enduring at present. They are blaming their condition on various things, and one of those things, before long, will be the British connection. For that reason, too, in the interests of our security, our unity, and our inter-commonwealth relations, I would urge most earnestly that until such time as we can carefully discuss the matter throughout the country and know exactly what we are doing we steer clear of a loan council.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): It seems to me that this resolution involves three principles: first of all, the method of amending the British North America Act; second, giving the provinces the right to impose a certain type of indirect taxation, third, giving to the dominion, under certain conditions, control over provincial finances. Undoubtedly, although the measure may not immediately involve anything of great importance it has far-reaching consequences. The Minister of Justice (Mr. Lapointe), in introducing the resolution, said that the proposal had no connection with the general question of Canada's right to amend her constitution. In this house we have not in any formal way gone so far as to suggest that Canada had any right to amend her constitution. Last year we considered before a committee of this house the question of the best method of amending the British North America Act, so that in the words of the resolution I then moved:

> ... while safeguarding the existing rights of racial and religious minorities and legitimate provincial claims to autonomy, the dominion government may be given adequate power to deal effectively with urgent economic problems which are essentially national in scope.

It was found by that committee, which devoted its attention to devising a method, that there was not unanimity of opinion as to what method should be adopted. The committee itself had some difficulty in reaching something like unanimity, but apparently it was blocked by the pressure brought to bear by the different provinces, or perhaps I should say, more correctly, by the refusal of a number of provinces to send in submissions or representations of any kind. So the matter was left open. To-day the minister slides over the real difficulty fairly easily and suggests that in this case, at least, we might bring about the change merely by an address of both houses of parliament. I find myself in a difficult position in criticizing this matter. The minister comes of a race that is said to be logical and consistent in its methods of doing things. I come of a race that is said to adopt expediency and to muddle through somehow. In this particular instance it would seem that we have exchanged roles, and the minister is going to adopt this particular expediency and so to muddle through in some way while others of us are put into the position of insisting that we should have some sort of logic and consistency in dealing with questions of this kind.

Mr. LAPOINTE (Quebec East): My hon. friend is flattering himself.

Mr. WOODSWORTH: I should think the right way to proceed would be to adopt some method of amending the constitution. Of course if we are to adopt the "muddling through" process possibly I should keep very quiet about this measure and let it slip through without much notice. Then, when this particular measure slips through without any general notice being taken, we might be in a better position to slip some other matters through, because, forsooth, this will have created a precedent. Really what I am afraid of is that though a financial measure of this kind may go through, it will not be regarded as a precedent by which we may guide ourselves with regard to other matters of great importance.

The fact is that it is proposed to change the British North America Act fundamentally merely by an address. We are told that representatives of the provinces have been consulted. The provinces themselves have not officially stated that they are willing to have this measure go through. As far as I know the matter has not been before any provincial legislature.

Mr. FINN: Yes, New Brunswick.

Mr. WOODSWORTH: I do not think it has been before the provincial legislature of New Brunswick.

Mr. FINN: Yes, the question of amending the British North America Act.

Mr. WOODSWORTH: That is another matter; I am speaking of this particular resolution. As far as I am able to learn it has not been endorsed by any provincial legislature. Here, then, we are proceeding to pass a fundamental amendment to the British North America Act merely by means of an address by the two houses.

Mr. LAPOINTE (Quebec East): That is what my hon. friend has been preaching in the past.

Mr. WOODSWORTH: I am not saying what I have been preaching; I protected myself a few moments ago by saying that I was in a very curious position.

Mr. LAPOINTE (Quebec East): My hon. friend is muddling through backwards.

Mr. WOODSWORTH: No, to-day I am just pointing out what is involved in this resolution, and I am doing so because I want to plead that if we go this far we ought to go a great deal further. Surely the consent of representatives of the provinces is not enough. So far as I can learn, Alberta has not given its consent, and even the representatives of Alberta have not given their consent.

Mr. DUNNING: My hon. friend is quite wrong; Alberta has consented to the introduction of this resolution.

Mr. BENNETT: Where is the evidence of that?

Mr. DUNNING. It is there.

Mr. WOODSWORTH: I should like to have a statement from the minister on that point. Can the hon. gentleman give us any evidence that Alberta has consented to the introduction of this resolution?

Mr. DUNNING: I will find it in a moment. In the meantime perhaps my hon. friend might continue.

Mr. WOODSWORTH: Very well, but even the consent of Alberta's representative does not affect my argument.

Mr. DUNNING: In a telegram from the premier of Alberta, dated March 27, the following words appeared:

> ... we have no objection dominion government proceeding with constitutional amendment bill.

That is in the opening sentence, and it is the only reference contained in that telegram to this matter.

Mr. WOODSWORTH: Then we are clear, are we, that representatives of all the provinces have consented to this? I would still point out that the provincial legislatures have not consented to it. I think that is correct.

There is another point to which I should like to refer. This amendment provides for a voluntary arrangement. It is exceedingly magnanimous, we will say, for Quebec or Ontario, which provinces are fairly well to do, to consent to a matter which will not immediately affect them. That is magnanimous, because under the resolution it is left to the individual province as to whether or not it may come under the provisions of this act. That is something we ought to consider carefully. It may very well be that by the representatives of certain provinces giving their general assent to the introduction of legislation of this kind they may maintain their own freedom while placing a very great burden and a very great handicap upon certain of the other provinces. The minister says that this amendment is introduced to meet an emergency, to meet a practical situation. I think those were almost his exact words.

Mr. LAPOINTE (Quebec East): And to help the provinces, not to burden them.

Mr. WOODSWORTH: Quite so; to help the provinces. But I would point out that there are other emergencies, other practical situations, yes, and other kinds of help which the provinces need. Let us take the question of unemployment that has been before us for years. We have been told again and again that the dominion government, because of the British North America Act, cannot directly handle this problem, at least in a certain way as, for example, by unemployment insurance. We have been told that we cannot possibly do anything about unemployment insurance without fundamental changes first being made in the British North America Act. Will the Minister of Justice say that it is only necessary for us to pass an address of this house and immediately the dominion government will have the right to undertake unemployment insurance?

Mr. THORSON: He did not say that.

Mr. WOODSWORTH: I do not think the minister would say that.

Mr. THORSON: He did not say it.

Mr. WOODSWORTH: I quite agree; I do not think he did say it, but he will say that we can settle great financial problems involving the relationship between the dominion and the provinces merely by an address being passed by the two houses of parliament.

Mr. THORSON: No, he never said that.

Mr. WOODSWORTH: All that it is necessary for us to do is to pass this resolution, and by an address the amendment can be brought about by action of the British parliament.

Mr. DUNNING: Oh, no.

At six o'clock the house took recess.

## After Recess

The house resumed at eight o'clock.

Mr. WOODSWORTH: Mr. Speaker, when the house took recess I was congratulating the Minister of Justice upon his having discovered an easy way of amending the British North America Act. At one stroke we have swept away the old compact theory of confederation, and the knotty question as to whether we should have the consent of all the provinces, of a majority of the provinces or even of one province. We now recognize that all we have to do is to pass an humble address of this house and of the senate, and we may hope to obtain the desired changes in the British North America Act. But I would like to ask why it is that it is not possible to obtain similar amendments with regard to questions, such as, for example, unemployment insurance, the eight hour day, old age pensions, the minimum wage or, in fact, the right to amend our own constitution. If we can secure an amendment when it suits the policies of the financial people, I cannot quite see why we should not do it when it is in the interests of the great masses of our people. If I am not asking the house to stretch its imagination too far I may say that if ever the Cooperative Commonwealth Federation came into power and the Labour party again formed the government of Great Britain, about all we would need to do would be to pass a resolution by parliament. Of course we could put it into the form of an humble address. Such a resolution would be sufficient to obtain for us whatever we needed by way of amendments to the British North America Act. I am not quite sure whether, in such event, we would even need a resolution passed by the senate.

Mr. DUNNING: If you had the provinces agreeing with you it would be all right.

Mr. WOODSWORTH: Representatives of the provinces have agreed that this address should be introduced. That is a different thing, as the minister must know, from provincial legislatures agreeing, which they have not done. In any case, if the minister would allow his imagination to stretch, probably the provinces would be with us at such a time as I have suggested.

I have said the second principle involved is that of giving the provinces the right to impose a certain type of indirect taxation. No doubt something must be done to help the provinces; I think that is clear. There have been references to reckless expenditures on the part of some of the provinces. As a westerner I may say that I resent these little sermons we have preached to us by representatives from eastern provinces. On the whole I do not think expenditures in the west have been any more reckless than those in the east. It is true that the western provinces have developed under circumstances greatly different from those under which the eastern provinces developed. A new type of expenditure was necessary, if we were to open up the west, as the rest of the country thought it ought to be opened up, and if we were to prosecute the great war—if I may carry the argument that far—in the way in which the rest of the country thought it ought to be prosecuted.

Hon. members talk about economy, but without going into detail I would point out that the western provinces have cut their expenditures to the very limit, in fact, to the detriment of the ordinary people and to the serious disadvantage of our young people and even of our children in those provinces whose services have been cut down.

Several years ago pressure was brought by the present leader of the opposition upon the western provincial governments, urging them to balance their budgets. Hon. members will recall a letter sent to the provinces at that time. They have been trying to balance their budgets, at very great cost. Manitoba not only has an income tax but also had to enact a two per cent wage tax. Alberta has had to resort to the sales tax. Undoubtedly something will have to be done to help the provinces. For some time I think it has been recognized that the subsidy arrangements were far from satisfactory. But may I point out that this is not a recent development.

As the debate went on I recalled an article I read several years ago. It appears in the Canadian Forum for December, 1934, and is written by Mr. Norman McL. Rogers who, I am glad to note is the present Minister of Labour. In a carefully prepared statement he said this:

> The failure to develop a satisfactory scheme of federal public finance in Canada was due in the main to certain erroneous assumptions in the original settlement of 1867, which were carried over with minor qualifications into the revised settlement of 1907. These erroneous assumptions may be enumerated as follows:
>
> 1. That increased expenditures by the provinces would arise from expanding population rather than from the acceptance of new governmental obligations;
>
> 2. That the expanding provincial services could be supported adequately and equitably by territorial revenues and direct taxation;
>
> 3. That the ends of federal justice would be served by a uniform scale of per capita payments to all the provinces of the dominion;
>
> 4. That subsidies payable by the dominion to the provinces should be stabilized on the above basis of per capita grants.

It is not too much to say that the error of these assumptions and principles of the existing scheme of federal public finance would be exposed conclusively by any impartial and scientific investigation. A proper survey of dominion-provincial financial arrangements must now take account of the incidence of tariff policy as an integral part of the tax system of the dominion. It must be recognized, in other words, that the unequal effects of the tariff upon the wealth and income of the various provinces of the dominion should be neutralized by direct subsidies or developmental expenditures, or in the alternative that differences in the taxable capacity of the provinces should be recognized as an essential feature in any scheme for the readjustment of provincial subsidies.

I think that is a fair statement. The hon. gentleman then goes on to show that it is highly desirable that under these developments which have taken place the dominion should assume greater responsibility. In the next paragraph he says:

Broadly speaking, a reform program of federal public finance in Canada should include in the first place the assumption by the dominion of full financial responsibility for certain social services which now fall under the constitutional jurisdiction of the province. The services thus taken over by the dominion should be old age pensions, unemployment insurance and health insurance if and when the financial resources of the dominion will permit of this further extension of common minimum standards of social welfare. The assumption of these responsibilities by the dominion is recommended by a number of considerations. (a) They are services which were not in contemplation when the financial arrangements between the dominion and the provinces were established originally at confederation. (b) They are services which should be developed in accordance with common standards throughout the dominion. (c) They are services which ought to be established and controlled by the political authority which has access by taxation to the profits of industry and commerce throughout the entire dominion. It is evident that unless these services are assumed by the dominion with its unrestricted taxing powers the provinces with low taxable capacity will be compelled to maintain standards of governmental services inferior to those supplied by provinces which have been the chief beneficiaries of the fiscal policies of the dominion during the past sixty years. Their assumption by the dominion is one means of alleviating the continuing effects of the unequal incidence of the tariff upon the financial position of the provinces.

Again I commend that statement to the government, and I am glad that we have in the cabinet one member who has thought his way through some of these problems and will, I have no doubt, use his influence there to see that this program is carried out.

In the last line of the paragraph which I have just read, reference was made by the Minister of Labour to the unequal incidence of the tariff, and perhaps that should enter into the consideration of the legislation now before us. In a preceding paragraph he has this to say:

The tendency of the tariff system of Canada has been to concentrate manufacturing activity in the provinces of Ontario and Quebec, whereas the burden of maintaining the protective tariff has been distributed throughout all the provinces and falls with particular weight upon those provinces whose income is derived chiefly from primary production and export markets. The abnormal concentration of manufacturing activity in the central provinces has had important effects upon the productivity of income taxes and corporation taxes in the various provinces. It has increased to a marked degree the number of companies subject to direct corporation taxation in the provinces of Ontario and Quebec. It has also contributed materially to the larger corporation and individual incomes of these provinces. It is not too much to say that the protective system has fertilized the income tax field in Ontario and Quebec by a process which has resulted in the partial impoverishment of this field of taxation in other provinces whose economic development has been prejudiced by the effects of the fiscal policy of the dominion. When, therefore, the provincial distribution of income is considered in relation to the effects of fiscal policy, it is apparent that the withdrawal of the dominion from the individual income tax field would benefit most those provinces which stand least in need of additional revenues. It would exaggerate the disparities in provincial finance which already exist and which have been aggravated by the unequal effects of national fiscal policies.

I thought of this particularly when the hon. member for St. Lawrence-St. George (Mr. Cahan) was speaking. He suggested that it was quite open to the provinces to raise their revenues by income tax, but the trouble is they have a very poor field, especially in the most needy provinces.

One more brief sentence from this article by the present Minister of Labour:

A study of the income tax collections from the various provinces of the dominion will indicate that on the basis of existing rates the provinces which are mainly dependent on agricultural production would gain very little by an arrangement which would give them the proceeds of individual income taxes within their boundaries.

What are we actually doing by this legislation? Are we in reality helping these poorer provinces? It is true that we are giving them powers over a very limited field of indirect taxation which powers, if applied, will, I am sure, accentuate the evils of the sales tax. The main sources of revenue are still available only to the dominion government, and further than that, as the minister in this article has so well pointed out, are located very largely in the wealthier provinces and are thus not available to the western provinces.

It is in my judgment a serious question whether the first part of this proposed amendment will be in reality a help to the provinces; certainly it is more than a question in my mind whether this is the best way to afford help to the needy provinces.

The third principle which I mentioned was that of giving the dominion under certain circumstances control over provincial finances. Mr. Speaker, if the Sergeant-at-Arms could manage to exclude the noises coming from the exuberant Liberals in the lobby—

Mr. LAPOINTE (Quebec East): The hon. member is opposed to military methods, is he not?

Mr. WOODSWORTH: I suggest that the Sergeant-at-Arms is very much a civil official in this house.

I was going on to say that I agree with the hon. member for Lethbridge (Mr. Blackmore) when he suggested that the second part of this resolution, if adopted and carried out into legislation, would mean the surrender of the sovereignty of the provinces. We are faced here with the old question of political versus economic freedom. Perhaps a good many members have hardly stopped to consider that political freedom without economic freedom does not amount to a very great deal. If an ordinary workman finds himself in the position where his house is very heavily mortgaged and he is dependent for his job upon someone else, I suggest that there is very little freedom left to him. He must simply obey the orders of someone else in almost every sphere of his activity. He may have the right to vote and he may be induced to vote Liberal, but even if he does I submit that he has not achieved economic freedom.

Take the business man. If the business man is dependent upon the banks for a loan; if he cannot enlarge his business without going to the bank and having practically his every action under the dictation of a bank, or, if you will, if he is faced with the possibility of the bank vetoing whatever he does, I submit that although he may have political freedom he has not a great deal of economic freedom.

Further than that, I am quite confident that we cannot very long deny economic freedom without taking away political freedom. What did we have in Newfoundland? A few years ago that colony was declared bankrupt.

Mr. DUNNING: Dominion.

Mr. WOODSWORTH: Yes, it was a dominion at the time. A board was put in to administer its affairs. I think none of us would say that Newfoundland under those circumstances had any very large measure of self-government.

What is happening in a number of our municipalities across the country? They have become bankrupt and the provincial governments are having to put in administrators or supervisors—I think they go by different names in different provinces—and then what happens? The administrator or supervisor looks at the question very largely from the standpoint of those who hold the debentures or bonds of the municipality. The bondholders have a prior claim, and what is the result? I could point to muncipalities where the schools have been starved, and in some cases high schools completely closed. I do not need to have to go out of my own constituency, for an illustration of that. Municipal services are cut down to the very limit, and adequate fire service is not maintained. In fact, I was given the instance last summer of a man who had a little shack at the lakeside—his home in the village was small enough—who thought he would spend a week of the summer in his little shack by the lake. He was told by the administrator that he could not do that; that if he did he would be cut off relief. He was told they would declare that he was no longer a resident of the village. That I think is an intolerable situation. Where is our boasted freedom when a man cannot take a week's holidays without being told that he will lose his residential qualifications and no longer have a claim for relief on the town in which he was living and in which he has invested his little all?

Mr. ROGERS: Will my hon. friend give me the particulars of that case some time?

Mr. WOODSWORTH: I shall be glad to do so. I think I mentioned it in the house a year ago. This happened in the village of Brooklands. I am not quite sure whether in my records I shall be able to find the name of the man.

As I have said, it is very difficult to preserve even a semblance of political freedom when economic freedom goes. What will be the effect of this resolution passing this house? I do not object particularly to the method of its introduction, but if it passes there will be an amendment to the British North America Act, upon which no doubt will be based some legislation to create a loan council. Otherwise there would be no purpose in introducing legislation of this kind. What does the resolution say· It says:

> The parliament of Canada may authorize the government of Canada to guarantee the payment of the principal, interest and sinking fund of any securities (hereinafter called "guaranteed securities") which any province of Canada may from time to time make or issue, and, subject to the provisions of this act may prescribe the terms and conditions upon which any guarantee so authorized shall be given.

Section 4 gives further details, the second reading:

4. (1) For the purpose of securing Canada against loss resulting from the giving of a guarantee under the authority of this act, the government of Canada, whenever in its opinion any default has occurred in respect of any payment on account of principal, interest or sinking fund of the guaranteed securities, may:

(a) withhold any payment to the province on account of any grant payable by the government of Canada to the province for its local purposes or for the support of its government and legislature or on account of interest in respect of its public debt or in lieu of public lands or on any other account whatsoever;

(b) effect payment in whole or in part of any such grant by payment direct to a creditor of the province of any amount owing to such creditor on account of the guaranteed securities. In this and the next succeeding paragraph "creditor" shall include a trustee of a sinking fund;

(c) out of any revenue received or collected by the government of Canada or any department officer thereof for or on behalf of the province, make payment direct to a creditor of the province of any amount owing to such creditor on account of the guaranteed securities.

I submit that if that comes into force, a province would be practically in the hands of a receiver. If I have learned anything from the way in which business has been conducted in this house ever since I have been a member, it is that the financial interests predominate. Pressure will be put upon the province to cut still further its expenditures, more nearly to balance its budget, all of which means inevitably a starving of social services. Where then will be our schools, our hospitals and our various pension schemes which have been built up through the years?

I cannot say that I agree fully with the hon. member for Lethbridge in his conception of how the money power works. However I can assure the house that I am under no delusion as to the money power being dominant in our public affairs. I do not think it is quite so simple as the hon. member for Lethbridge puts it; I do not know that the influences will be recognized as being quite so sinister, but they are none the less real for all that. We see how they operate in this house. We have the money to pay huge interest charges which take thirty-six per cent of our revenue, but we have no money to help a few blind people who need help so much. That is so in this house where the members have an opportunity of exercising a certain amount of pressure on behalf of some of these needy people. What will be the effect in remote districts and in the provinces where boards of administration removed from popular control will be chosen to see that the financial obligations are lived up to?

[Mr. Woodsworth.]

I have just one more word to say. I assume that this resolution will go through, as I cannot conceive of a message of this kind being thrown out by the senate. The government has a sufficient majority in this house to pass anything and I do not know that there is likely to be very strong opposition from the official opposition. If this goes through I do not know that the result will be so much more disastrous than the present state of affairs. I would say that we are simply making statutory, conditions which now exist in fact. Whether or not the financial power exercises itself directly through the forms of this house, or indirectly through the pressure that may be put upon the legislatures of the various provinces, or upon various individuals, the power is there and, so I come to the conclusion that by this legislation we are simply making statutory a condition which has gradually developed and which is proving to be a very disastrous one to the large masses of the people of Canada.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, the principle involved in this humble address to be presented to His Majesty is an amendment of the provisions of the British North America Acts, 1867 to 1930. This amendment refers to taxation and enables the government of Canada to guarantee the debts of the provinces. This is a most unfortunate departure from the basic principles upon which the British North America Act was consummated. It has been said that charity covereth a multiude of sins, but, so does taxation. This resolution covers nearly all the subsections of sections 91 and 92 of the British North America Act, which are correlated according to all the decisions given so far by the privy council. Practically all the subjects referred to in these sections and subsections require taxation to raise revenue to carry them out.

So far the provinces up to 1930 were able to get along and carry on with the cash subsidies allowed under the British North America Act plus direct taxation within the provinces for the purposes of raising revenue. What is proposed under this resolution? The provinces are now to be given the additional right of indirect taxation within the provinces. This indirect taxation is to apply to all kinds of commodities except what is set out in this resolution, liquor, tobacco, cigars and cigarettes. In my opinion the privy council is the one court in which a litigant under the British North America Act can get some justice and relief. We owe a great deal of the good work from confederation in our parliamentary government to the wisdom of the decisions of the

imperial privy council. There is no doubt that the British North America Act constituted a pact along certain lines. The answer to the question whether the British North America Act is or is not a contract is given in five or six leading decisions; in certain respects the answer is in the affirmative and in other respects in the negative, and these answers are correlated.

The proposed resolution is a grave invasion of the rights of the provinces, and so far there has been no petition for legislation of this kind. In the case of other amendments from 1867 to 1930 there were petitions. The foundation of the act itself was a petition from the old provinces of Canada. The courts will restrain this parliament if it goes too far. It can go so far and no further because under section 91 it must legislate as a national parliament. The four old provinces in 1867 gave up their sovereign rights with respect to certain matters in order that confederation might be consummated. They turned over to this parliament jurisdiction with respect to those matters while they retained sovereignty in respect of matters of local interest. In those days there were no large cities in the dominion and it was never imagined that Canada would some day have a population of 10,000,000. At the time of confederation the provinces handed over their rights to the dominion in trust, because it was a trust; and that trust is twofold: One has reference to the rights of minorities as of 1863, which rights must be preserved, but not extended. What was then done is final. In my opinion this parliament cannot invade those rights. But there were other rights and privileges which the provinces handed over to the dominion of a business nature and these contained no contract. They were passed on forever to federal power.

Now this parliament has itself the power to accomplish the objects which under the present British North America Act the minister has in mind, and it does not need to go to the mother of parliaments for any amendments. Last year I attended the committee that studied the question of amendments to be made to the British North America Act, and the question was then considered, how amendments could be made to sections 91 and 92. The deputy minister of justice Mr. W. Stuart Edwards, appeared before that committee and gave a summary of leading cases. At page 2 of the committee's report, speaking with reference to the powers of the dominion parliament, he made this statement:

It will be observed that the purpose is to enable this parliament to deal effectively with urgent economic problems which are essentially national in their scope. Well, in my view, problems of that kind are now within the competence of parliament under the British North America Act as it stands. A good deal has been said about the failure of the fathers of confederation to anticipate the necessity which might arise for the amendment of the constitution. Personally I do not think that they failed to anticipate such necessity; but I think they deliberately framed the constitution so as to make it subject to expansion by its own terms as the needs and as the problems of the country developed. In some of the self-governing dominions and in other countries where a federal system prevails, there are fixed provisions for the amendment of their constitution; but in most, if not all, of those countries, their constitutions are not similar to ours in this respect, that the residuary powers rest with the state, and not with the central authority as it does in Canada. Therefore I think that the fathers of confederation deliberately provided a scheme whereby all matters that are essentially national in their scope would be within the exclusive competence of parliament. They did that by vesting in the dominion parliament the residuary power, and in giving to the provinces their legislative powers they were very careful to make it clear that the legislative jurisdiction of the province was not, in any case, to extend beyond matters and rights situate in the province itself, matters of purely provincial or local concern.

There is a difference between a federation and a confederation, and by section 91 there are certain residuary powers retained by the federal power when not given the provinces in section 92. I contend, therefore, that there is no necessity for going to the mother of parliaments to have our constitution amended so as to give effect to the objects which the government has in view, for the reason that we now have all the powers we need for loan councils. Perhaps I should read one or two other paragraphs from the evidence given by Mr. Edwards:

By Hon. Mr. Veniot:

Q. In a consultation with the province in an amendment of the kind you refer to, do you need to have the consent of the province, or all the provinces?

A. Well, I wish to make it clear just before I answer that question; when I spoke a moment ago I meant that the protest is made by the provinces with regard to matters of provincial concern.

Q. By the provinces?

A. Yes. I would desire to negative any idea that any matter which relates to all the provinces, the mere fact that certain provinces object, would entitle them to have a voice at London or at Ottawa, wherever the constitution is being amended. That would be a matter of purely dominion concern which should be settled in this parliament; but where the amendment would affect what we would call actual provincial rights, and there is a body of provincial opinion opposing the amendment, I would say this parliament should consult the interested provinces.

Q. rovincial rights, common to the provinces as a whole?

A. Well yes. That is, common in the sense that each province has jurisdiction to deal with that matter in its own field.

Therefore, I repeat, there is no necessity for the proposed resolution to guarantee loans or bonds or debentures of provinces in so far as it refers to guarantees of these securities of the provinces and as it proposes also to create a regulatory body known as a loan council in respect of these matters. They have that power here now. There is one other answer which I should like to read from another page, with respect to the question whether or not a contract was entered into. The answer which the witness gave indicates, I think, what I have pointed out here, namely, that there is no necessity for this parliament to go to the British parliament to amend our constitution. I would point out that the proposed legislation is ultra vires of the parliament of Canada.

Under section 92 of the British North America Act the provinces have exclusive jurisdiction with respect to municipal institutions, property and civil rights, direct taxation in the province in order to the raising of a revenue for provincial purposes, the borrowing of money on the sole credit of the province, and generally all matters of a merely local or private nature in the province. I object to this gross invasion, as contemplated by the resolution, of the rights of the municipalities. If we passed this resolution it would be a grave encroachment upon the municipal institutions of the country. A few years ago, I remember, the Lemieux Act was upset in the privy council. It attacked a certain municipality or two which had guaranteed and sold bonds on the basis of a large public undertaking of $100,000,000 almost on cheap light, power and transportation, and this parliament thereupon proposed by the Lemieux Act to impose regulations upon them. Lord Haldane held that the Lemieux Act was ultra vires because it interfered with municipal institutions in the province, with employers and employees, with the right of contract and, in addition thereto, with property and civil rights in the province. It was attacked also on the grounds of public policy and vested rights.

It will be noticed also that in many respects this particular resolution collides with section 91. The provinces are assuming the right of taxation over whom? Over all business men. In the retail streets of my riding, every retail merchant is going to have new and duplicate taxation imposed upon him in an arbitrary way by federal and provincial authorities. I am surprised that a government which professes the principles of Liberalism should propose such an amendment as this, which in the first place interferes so much with the liberty of the subject and municipal institutions and their revenue, and, second, is so gross an invasion of the basis of confederation, namely that the provinces shall be satisfied with direct taxation plus a federal subsidy. Now the government has handed over to them assistance by way of relief measures, national emergency measures; many of the provinces are getting these grants, to help them balance their budgets at the expense of the municipalities, while other provinces do not receive any. The municipalities of the two central provinces are dangerously affected in their financial position and the stability of the bonds and securities which they have sold. By the decision of the privy council in the Alberta case, the Snider case, the Through Traffic case, the Aerial Navigation case and many taxation cases it was held where bonds and securities are sold and contracts have been made, under section 92, the rights of the provinces and of municipal institutions in the provinces shall not be interfered with as they have vested rights and contracts; they are safeguarded by both section 91 and 92, as I read the decisions of the privy council and the answers of Mr. Edwards and the other witnesses before the committee last year. The privy council, when a section is under review, considers the whole story of the British North America Act from beginning to end.

Supposing we pass this legislation and somebody appeals to the courts. Under our constitution the courts are subservient to the legislature as long as the legislature stays in its own field. Over here you have the federal field; over there you have the provincial field and the municipal field. More than two-thirds of the provincial field of legislation relates to the municipalities. There never should have been any provincial legislatures. They were created for political and not for economic purposes with overgovernment and overtaxation. They have been at the root of all dissension in this country; they have imposed untold taxation, with the result that we have overgovernment and overtaxation in Canada. Business men have a right to protest when you are going to hand over to the provinces indirect taxation, when you increase the imposts on retail merchants, when a few months ago the provinces took over the income tax—by what right I do not know; I doubt whether the legislation is legal—when this parliament imposes a direct tax in the manner they did a few months ago, though the decisions show that if the levy is made by a legislative body it is a direct tax. Now here you are imposing

a provincial income tax on a city, though the municipalities have had this whole field of taxation exclusively from confederation to 1918, and the income tax was reserved from confederation to 1918 for the municipalities to enable them to pay their debts. As soon as a municipality finds a new source of taxation under the British North America Act, the provinces grab it, and the federal authority takes away another source of revenue to which the municipalities are entitled under the act of confederation. Not satisfied with that, the provinces have taken away from the municipalities the exclusive field which they have always had of income tax by virtue of the British North America Act, and are collecting duplicate income taxes to which the municipalities are entitled. I never like to oppose a tax; I try to pay my taxes, if I may say so, gladly and willingly, but I assert that the imposition is an unjust one as far as the municipalities are concerned. Further, the method of this collection is indirect. There was no notice to the municipalities, and I predict that in a year those who passed it will be glad to rid themselves of it, because it is going to lead to a lot of trouble.

This resolution in its taxation feature is illegal and ultra vires of this parliament. Under this resolution parliament proposes not only to allow federal taxes to be imposed but to permit the provinces to impose duplicate indirect taxes on business men, and dear knows that the business men are struggling enough now to pay their bills. With all the artificial barriers and burdens they have to contend with, I do not know how they conduct their business. This provision is to help the bankrupt provinces out, not every province in the dominion. The western provinces, with the exception of British Columbia get this handout. The provinces can now impose a direct tax on business men; yet the government is proposing to give the provinces the right, with the exceptions named in the resolution, to levy an indirect tax on retail sales other than of all alcoholic beverages, spirits, malt, tobacco, cigarettes and cigars which are subject to customs and excise duty or tax in Canada or other than all goods and articles for delivery without the province. Of course, that is a federal provision. Wait till I show you how they are going to rob municipalities. They are robbing Peter to pay Paul; that is what the principle amounts to.

This resolution never should have come before the house. If the government wants to amend the British North America Act, let us have some petitions for it first. Let us start with getting social legislation for the workers. Who is asking for this legislation? Some of the bankrupt provinces that cannot pay their debts. Why should the central provinces, which are endeavouring to pay their debts, and pay eighty per cent of cash federal taxes, be imposed upon in this manner, by our conferring the right of indirect taxation so that every business one can think of will be taxed. Why should the powers of this parliament be diminished in this manner? There are many former members of municipal councils in the House of Commons to-day. I am surprised that they will sit idly by and see these barriers put on business and revenues taken away from the municipalities. What it amounts to will be confiscation of property. By the third clause of this resolution the government is handing over to the provinces the right to take municipal revenue. We have to maintain a city police force to protect life and property. This parliament is going to take away a lot of revenue in the way of licence taxes set out in clause 3, a source from which the city of Toronto raises a large revenue by means of the police commission and licensing. That is how we are helped to help maintain the police force. In Australia and New Zealand the capital cities get a subvention to help them maintain their police forces. In this country we are about to take all the money that is derived from the licence fund, from amusements, hotels, beverage places, all kinds of retail establishments in which various articles are sold, and which yield a large revenue to the cities, and hand it over to the provincial authorities in order to raise revenue for provincial purposes, and to help the province balance its budget at municipal expense. I cannot speak officially for the municipalities, but I am safe in saying this, that this matter will go to the privy council; it will be and should be contested, like all past legislation along this line. I do not know how business men, retail and wholesale merchants, with all this indirect and direct taxation that is being handed over to the provinces, will be able even to pay the rent of their stores.

I may add, having looked at the decisions, that the municipal scope of taxation is so seriously interfered with that the municipal institutions of this country might as well be abolished. If the provincial governments are ready to take over and run the municipalities of Canada, it will be a sorry day for Canada. A vote should be taken to abolish provincial legislatures. Altogether it amounts to this, that by this resolution the government of Canada is going to be transferred to the capital cities of the provinces. That is how the country is being governed to-day. Be-

cause every provincial government is friendly to the dominion government of the day, it is proposed to transfer, against the spirit of the British North America Act, to the provincial capitals the absolute power to impose indirect taxes, and the entire government of Canada is being run from provincial capitals. I wish to protest against this course, and I do so as the representative of a riding in which there is a very large number of retail merchants. Not satisfied at the first session with taking away from the municipalities the right to impose income tax, the government now goes further and is intending to give the provinces, by this resolution, the power to impose the indirect taxes I have referred to.

I do not believe that this parliament can interfere with bonds and guarantees and debentures signed on behalf of the municipality by the mayor and the treasurer. I have signed thousands of these debenture bonds and guarantees and treasury notes in advance of the taxes being collected. They are endorsed by the mayor and treasurer of the municipality, and have been sold all over the world. In the bond agreement is given the assessment of the municipality and the revenues with which the fixed charges are to be paid; yet without this matter ever going before a committee, what are we doing? We are going over the heads of the municipal institutions of this country, trying to make nothing more than scraps of paper out of these bonds and debentures which have been sold for hundreds of millions of dollars and which involve light, power, transportation and other utilities.

I wish to protest against this sort of thing. If this is what Liberalism in Canada amounts to to-day, the sooner there is a change the better. The people owning these bonds are located all over the world, in New York, London and every other city of any size. They will be an added complaint in the old country to-day over this kind of thing when it affects municipal securities and depreciates them. Now we are going to hand over to the provinces the right to levy both direct and indirect taxes. As I see it this is remedial legislation of the worst sort. We have never had legislation of this kind before, upsetting as it does the whole principle of confederation. The provinces have been getting along very well with their subsidies, their power to impose direct taxation and the federal hand-out of $111,000,000 to four western provinces. So I do not think this resolution should be passed until we have the opinion of the Supreme Court of Canada as to whether or not parliament has the power to pass this resolution in its present form.

[Mr. Church.]

Then, Mr. Speaker, I think the people should vote on this question. No mandate has been given in connection with it. The provincial premiers came here to see the government, and they got out a blue-book of that so called conference. The premiers asked for indirect taxation also. What right has the provincial cabinets of any province without the consent of the nine legislatures to barter away the bonds, guarantees and securities of municipalities and depreciate them? Does the provincial legislature consist of only one or two members of the cabinet? Are we back to the family compact of a hundred years ago, not only in Ontario but also in British Columbia and the maritimes? What right have provincial cabinets to come here and try to make a bargain with the government of the day in a conference room, over the head of the sovereign legislature and contrary to the wording of section 92 of the British North America Act, in which the sovereign powers of the provinces are set out to get added indirect taxation powers. I say the provinces have no right to do that, and it seems to me the sooner that sort of family compact with federal power is broken up the better it will be for the municipalities of this country. This indirect taxation is just about going to abolish municipal institutions by abolishing and grabbing their revenues and render them more bankrupt. Why does not federal power help the municipalities?

I also contend that this resolution is irregular, though I do not wish to urge this point strongly to-night. I am sorry that I was misunderstood yesterday. I always like to abide by your rulings, Mr. Speaker, and by the will of the house. I appreciate the difficulties of the government to-day in dealing with the many important problems before them, some of which were not of their making. Some were not of the making of the preceding government but were created by the war and the disturbance of industrial equilibrium which followed. I sympathize with any man who is premier or a cabinet minister to-day or at any time and who is trying to bring about harmony and order in this dominion, which is loaded up with provincial legislatures that we never should have had at all. That is where the mistake was made in the first place at confederation. However I wish to say that under the anticipation rule I fail to see how a part of the resolution of a private member can be incorporated in a government measure. As I read the rules of the house, and the authorities, even though government business

has precedence that cannot be done; you cannot take away from a private member the rights and privileges which he has enjoyed for two or three hundred years. I am not going to urge that, however, because I sympathize with the government in their endeavour to restore order to the finances of the country.

As I see it this resolution is also unfair to His Majesty's government in the old land, in loading them up with the settlement of this involved question without a petition from the provinces to the Governor General of Canada, setting out the exact terms on behalf of each province. I am not aware that any petitions have been presented so far this session, and there has been no conference with the municipalities to protect their rights from this invasion. Before this resolution was proposed why was it not considered by the banking and commerce committee or some other committee of the house? Last year a committee was appointed to consider the British North America Act, and this resolution runs contrary to the principles laid down by that committee and the opinions of its witnesses, which reviewed all the authorities and decisions I have already named, regarding sections 91 and 92.

If this resolution is followed by an act of the imperial parliament I say that not only will it destroy the municipal institutions; it will also constitute a gross invasion of the property and civil rights of the provinces. It is against the ordinary principles of British justice to take away all these powers of taxation from the municipalities without their knowledge, consent or advice, because any act passed by any parliament in the British dominions must not be contrary to the ordinary principles of natural justice without a municipality hearing first of how it will affect them. What is going to become of the municipalities? How are they to be reimbursed for the amount of money that is to be taken from them and handed over to the provinces, that do not need it and that have natural resources, lands, mineral wealth, corporation taxes and so on, which the municipalities do not have? I wish to protest against such a gross invasion, because, as I see it, it is taxation without representation. This resolution hands over the right of indirect taxation to the provinces. I say that is taxation without representation, because the government of the day have no mandate from the people to upset the act which has been in effect ever since 1867. The government of the day, whether dominion or provincial, has no mandate to do this, and it should not be done without the knowledge and consent not only of the legislature but of the people as expressed at the polls. Here it is being done without even a conference with the municipalities.

As I have already stated, in connection with matters such as these the courts of the land will not deal with abstract cases. They want concrete questions. We found that out before the Beauharnois case in the reference to our supreme court, in connection with the rights of navigation as against power, as between the provinces and the dominion. We on this side of the house objected to some of the questions that were submitted. Those questions went to the supreme court, which decided they could not answer the questions categorically, in the abstract, that they would require some concrete evidence. Here, without any concrete evidence as to how this taxation clause is going to affect the municipalities, we are going over their heads in an abstract way. My hon. friend the former mayor of Hamilton can tell the house what is going to happen there. I would refer particularly to paragraph (ii), having to do with the patronage of hotels, restaurants and places of amusement or entertainment. These are very large features in the income of a municipality, so much so that the municipalities are required to maintain large police forces to regulate and protect them. In one of the rinks of a large municipality I know they have numerous policemen on duty, as well as firemen to enforce the fire regulations. Are the municipalities to be required to maintain all these free services without getting a copper from the present licence system towards their cost? I say that should not be done, and I believe this is a direct invasion of the principles of confederation. As I have said, we have all the power we need if we would only exercise it. Just because certain officials tell the Minister of Justice and Attorney General of Canada that they think we have not the power to create a loan council and need legislation does not make it so. I can find no decision of the privy council to support such an attitude, and I do not think any court of law would say so. I do not think any amendment is necessary in order to give effect to the policy of creating a loan council, if the government of the day wish to do so.

Mr. Edwards' opinion, as I have read it, indicates that the federal power has residuary powers which the provinces have not. That is one of the main differences between our constitution and those of some other federations and confederacies such as I mentioned before. The question is: Was confederation a contract or not with the provinces when

they gave federal authority power to rule them? The answer of the privy council is yes and no. I say yes, so far as the protection of the rights of minorities is concerned regarding certain schools in Ontario as of 1863. They retain this but these rights cannot be extended, and what was done in 1863 is final and any extension of it is ultra vires. I am in favour of a strong federal power as the British North America Act provided in disallowance to protect not only minorities but majorities. The time is coming in Canada when majorities will have to assert their rights and privileges under confederation as laid down in 1863-67. I believe that, when I see some of the legislation being passed over the head of the British North America Act and over the head of what Sir Wilfrid Laurier said in 1905 about the rights of minorities and majorities under confederation. I believe the Minister of Justice referred to that statement to-day, so far as I understand it, when he said confederation to that extent was a contract along those lines. It has been set out by many of the Lords of Appeal in the privy council what their views were or dictums were as to whether confederation was a contract or not. I contend federal authority should be up and doing to protect whom?—to protect municipalities from the taxation invasion of the provinces; to protect all those municipal institutions for which bonds and debentures are sold; I refer to hospitals, schools, court houses, harbours, parks, public schools, and those buildings for which municipal taxation is raised. If some federal or provincial authority over their heads tries to take rights and privileges away from them, as Sir Wilfrid Laurier said in connection with the 1905 Alberta and Saskatchewan acts, it is the duty of a strong federal power to offer some protection to the rights guaranteed at confederation, but there must be no extension of such minority legislation. This legislation may be attacked in the courts for many other reasons. In my opinion the bankrupt provinces of Canada are going to be allowed to act the part of the ungrateful son who agrees to take all from his parents and to give nothing in return. Ontario is a solvent province. In this instance the parent is the federal authority. That is the position in which we shall be placed. Who is going to pay for all these loans and guarantees, outside the British North America Act? The central provinces of Canada will pay for them. They now pay eighty per cent of the cash taxes. If a sinking fund is to be provided, as no doubt the loan council would arrange, these grants and interest would have to be made out of direct revenue, or out of income. From where do we get the income? Eighty per cent comes from the two central provinces, and I hope the authorities will look into that point.

The resolution indicates that a rider will be added to the effect that the dominion will be recouped, in case of loss. The loan council would have the powers set out in the second page of the resolution. Did hon. members ever hear of parliament collecting any loans or guarantees on bonds from railways? Canada has four billion dollars invested in railways, private and public. Did hon. members ever hear of the government collecting guarantees from loans to harbours or publicly owned railways? Has the Quebec harbour paid its interest? This has not been paid; yet the government puts into this resolution the very same principle they have had for the last fifty years regarding loans, guaranteed bonds, cash grants and hand-outs of all kinds, which, from experience, will not be repaid.

We talk about a loan council; I say that parliament has been looted enough, and the time has come to put the brakes on in connection with loans, loan councils and all sorts of loans, running into hundreds of millions of dollars. Is it any wonder we have the great taxation under which the country is groaning? As I say, we should have some regulatory power to put a check on it. The only regulation the federal power has is that of disallowance. We disallowed some British Columbia statutes, to some of which I referred. Are we going to have any protection at all for municipalities?

The hon. member for St. Lawrence-St. George read an opinion in this house on one occasion during 1930, the last year I was in the house. The learned and eloquent member read the opinion of Sir Wilfrid Laurier as given in 1905 concerning the two prairie provinces of Alberta and Saskatchewan, having to do with the lack of right of minorities to schools in Alberta and Saskatchewan in 1905. They had no right to them under the law as it was then to them. The only regulation we have under which we may get our money back is what?—a scrap of paper. How can a bankrupt province pay any money back on this guaranteed bond? If an individual is bankrupt he is put out on the street. He has to start all over again, but under the proposed amendment hundreds of millions of dollars can be paid out to bankrupt provinces. In my opinion that new legislation is not necessary; it is just a sop to the four western provinces. In that statement I except British Columbia, to some extent. In my opinion that is all it is.

I wish by some regulation of Mr. Speaker the learned treatise I have before me of the British North America Act of 1935, could be handed to each hon. member; I refer to the report of the committee which considered the British North America Act. Every hon. member should have a copy of this before the resolution is passed. The municipalities are becoming alarmed. In my opinion, instead of passing the resolution, we should have the vote of the people of Canada to abolish, if possible, provincial legislatures altogether. That would be a godsend to the Canadian people, and if it were brought about we would have some harmony throughout the country. Their creation has led to racial and religious jealousies in Canada, and overgovernment and overtaxation.

Confederation was brought about by compromise, because the history of the world has been one of minorities. The history of Canada has always been the history of compromises. Confederation was a compromise. When confederation was passed the rights of minorities in Ontario were settled for all time in 1863-67, and the people in the province of Ontario thought the door was closed forever and that certain school questions were settled which we now find are not settled, and which could not be extended.

The fathers of confederation handed over the regulatory power of disallowance to federal power, though, to protect Ontario.

Mr. SPEAKER: The hon. member has spoken forty minutes.

Mr. R. E. FINN (Halifax): Mr. Speaker, it seems to me that perhaps the most important document in our dominion is the British North America Act. Its provisions respecting federal and provincial rights are sacred, as are the powers of the parliament of Canada and our legislatures as set out in sections 91 and 92. When this afternoon I listened to the hon. member for St. Lawrence-St. George (Mr. Cahan) a fellow Nova Scotian, a gentleman of years and of fine texture of mind, well able to interpret statutes, I was impressed by the statements he placed before the house. I was pleased, further, to listen to the observations of other hon. members, including the leader of the social credit party (Mr. Blackmore) from the province of Alberta.

It seems to me that to some extent we are losing sight of an act which to a certain extent supersedes the British North America Act. I refer to the act of 1931, passed by the imperial parliament, entitled the Statute of Westminster. If I recall rightly, the present Prime Minister of Canada (Mr. Mackenzie King) was the one who first at a conference in London outlined the position of Canada and stood for its status as a component part of the British empire, daughter within her mother's house but mistress in her own, and it fell to the lot of the right hon. the leader of the opposition to-day (Mr. Bennett) who, as Prime Minister of this country attended the conference in 1931 to approve the draft statute of Westminster which became law. Therefore all the clauses contained within that statute bear his imprimatur, so to speak, more than that of my right hon. friend the Prime Minister because the proposed statute was only in posse in his time and was in esse when the present leader of the opposition was Prime Minister. The statute of Westminster gives an entirely new status to Canada and to the other component parts of the empire which are looked upon as independent, self-governing and absolutely free, save in the one respect, and one only, as regards Canada that the British North America Act can be amended only by the parliament of Great Britain upon request of the parliament of Canada through the government of Canada, and the provisions of section 92 of the British North America Act only with the consent of all the provinces of Canada.

This afternoon I heard the leader of the social credit party, the hon. member for Lethbridge (Mr. Blackmore) make the statement in this house, honestly, I believe, but without knowledge, that we were subservient; that there was in existence to-day a sort of combination between the Bank of England and the independent parliaments of what are called the dominions, which are defined under the interpretation clause of the British statute of 1931, and that these parliaments through some sort of understanding were attempting to keep behind the screen, to keep away from the people whom they represent things that they would not like to come out in the open to do.

I desire to compliment the hon. member for Broadview (Mr. Church) upon his reference to the late Right Hon. Sir Wilfrid Laurier, and I say to hon. gentlemen opposite of the great Conservative party of the past and of the present as it is—and I hope, Mr. Speaker, that its day will be greater still some time when the people of Canada so decide—when I heard the hon. member for Broadview complimenting Sir Wilfrid Laurier upon the stand he took with reference to the carving out of the new provinces of Alberta and Saskatchewan and the preservation of the rights of minorities, I felt that that compliment should re-echo from one end of Canada to the other because it is in such contrast with the attitude of the right hon. the leader of the opposition of that day,

Sir Charles Tupper, who sought to force upon the parliament and people of Canada, through his influence and that of his government, something that would have brought about, in my judgment, the disruption of confederation. But the fine texture of mind and the noble vision of Sir Wilfrid Laurier stood out pre-eminently and he said, "Put me in power and I will settle this question by a happy compromise." And did he do it, Mr. Speaker? The question has never been heard of since; the mantle of that great French-Canadian has fallen upon the shoulders of the right hon. leader of the government to-day, and as I survey the situation, I know of no man in Canada who stands more firmly for the broad principles of democracy, who stands and hews more closely to the line of the rights of the people as expressed through their representatives in parliament here and in the legislatures of the respective provinces, than the right hon. gentleman who leads this government in the Dominion of Canada to-day.

In the light of these facts it is well to look down the vista of the past; it is delightful to be reminiscent and to be able to feel that you stand behind a leader who has nothing to apologize for in respect of the positions he took, as I believe the right hon. leader of the government to-day will have no apologies to make to the people of Canada when he again appeals to them for their support and comes back to give Canada a second five years of prosperity as he gave us when he was in power from 1921 to 1930. I do not disparage for one moment the right hon. leader of the opposition or the hon. gentlemen who sit about him. I believe he tried to do his best, but minds sometimes run in grooves, and when they do it is often pretty hard to get them out. That was the trouble with the leader of the opposition. His mind got into a groove and he could not get it out. That is the reason—and I say it kindly—that the people put him out and gave him the honourable position of leader of the opposition in this parliament to-day.

As to the statement of my hon. friend the leader of the social credit party, I noticed this afternoon that he quoted from newspapers, and evidently he is looking at one now as I see him passing it over to one of his confreres. I should like to call his attention to the preamble of chapter 4 of the statutes of 1931 of the British parliament at Westminster, intituled the Statute of Westminster. What does the preamble of that act say?

> And whereas it is meet and proper to set out by way of preamble to this act that, inasmuch as the crown is the symbol of the free association of the members of the British commonwealth of nations, and as they are united by a common allegiance to the crown, it would be in accord with the established constitutional position of all the members of the commonwealth in relation to one another that any alteration in the law touching the succession to the throne or the royal style and titles shall hereafter require the assent as well of the parliaments of all the dominions as of the parliament of the United Kingdom.

Does any hon. gentleman in this house whether he belongs to the social credit party, the Conservative party or the party led by the hon. member for Winnipeg North Centre, think for a single moment that England did not extend to the full to Canada and her parliament the greatest autonomy ever given, in connection not only with matters that go to the foot of the throne, but with matters that go to the very throne itself? This cannot be altered unless the dominions which make up the commonwealth of nations are consulted and agree thereto.

The leader of the social credit party is smiling. I am glad to see him smile. This afternoon he made reference to a certain gentleman who has gone to a bourne, not below the ground but across the seas. He is one of those travellers who will never return, Mr. Douglas who was the chief adviser of the Hon. Mr. Aberhart. I suggest to my hon. friends that when they return to their native soil in Alberta they induce some of their friends in the provincial legislature to introduce a bill entitled an act to change the name of the premier from Aberhart to Have-a-heart. Hon. gentlemen of the social credit party undertake to tell this government that they are overstepping the mark; that they are overreaching and doing things not within the constitutional right of this parliament to do, but I think they should put forth their efforts to see to it that Have-a-heart has a heart for his people and gives them that $25 a month which he promised them instead of coming to Ottawa to seek it from the government of the present Prime Minister. They are ready to criticize that right hon. gentleman because he desires to guarantee the bonds of the provinces of Canada in order that the credit of Canada may stand higher.

Mr. FAIR: The bondholders are taken care of, but the poor of the provinces are to be allowed to starve. What about them?

Mr. FINN: If my hon. friend means to tell me, or to tell the Prime Minister, or to tell any minister of the crown, or to tell any hon. gentleman who sits on this side of the house, that we stand for any legislation to help the rich and starve the poor, then he is

speaking out of turn. That is not written in the book; it is written only in his imagination. When he wakes up in the morning it will not be there. I do hope hon. gentlemen opposite will have a heart.

We come now to the resolution as presented to this house by the hon. Minister of Justice (Mr. Lapointe). It has to do with certain amendments to the British North America Act. It confers upon the provinces a new power of indirect taxation of a certain kind. No one disputes their right to impose direct taxation. Section 92 refers to works of a local character and surely we should not start to split hairs in connection with this resolution and what it stands for. May I recall the fact—and I do it kindly—that hon. gentlemen opposite, not of the Social Credit party, not of the Reconstruction party, not of the Labour party, but of the Conservative party, have stretched the constitution and its provisions to the breaking point. It did not break because they knew the right hon. Prime Minister was going to come into power. I believe it was through providence that they held—although by a great effort—to our constitution because they stretched it to the utmost under the peace, order and good government provision. They did every thing but murder the people of this country. They issued their blank cheques and carried on by order in council. Parliament was told: Take it or leave it; I am a dictator. I was surprised to hear my right hon. friend stand up in this house the other day and admit that he was a dictator. He said bluntly, plainly, openly and sophisticatedly—

Mr. BENNETT: I shall have to ask the hon. gentleman to withdraw that. No such statement was made; it was quite the opposite.

Mr. FINN: If I recall the words of my right hon. friend correctly, he said: Dictator as I was, I was unable to get hon. gentlemen who sat with me—

Mr. BENNETT: I shall have to ask the hon. gentleman to withdraw.

Some hon. MEMBERS: Hear, hear.

Mr. FINN: They say: "Laugh and the world laughs with you; weep and you weep alone." They do that in the quiet of their chambers. I believe that statement is correct although the right hon. leader of the opposition may say at this moment that he did not say what he did say and what I heard him say. His words were to this effect: Dictator as I was, I was unable to place upon the statute books the legislation I desired based upon the Sir Alexander Gibb report because my followers would not follow me. He blamed the former Minister of Marine, Mr. Duranleau. What did he do with him before he went out of office? He placed him on the superior court bench of the province of Quebec because of his disobedience to his leader and his dictator. These are great days. These are the days of happy recollections and pleasant memories.

Hon. gentlemen opposite, members of all the parties who represent a public opinion different from that of the people of Canada, different from the opinion represented by the right hon. the Prime Minister and by those hon. gentlemen who sit immediately behind and around him, have expressed their opinions. We support our leader because he is always right. Make no mistake about it; he has never made a mistake. There is an old adage, that by our mistakes we learn; therefore the right hon. leader of the opposition and his party still have a chance.

To return to the statute of Westminster. There is not on the statute books of England to-day a law save one which can stand if it conflicts with an act of the parliament of Canada. Is that doing something behind the curtain? Is that being dictated to by the head of the Bank of England? No wonder somebody coughs! But not only that. So far as the provinces are concerned, any imperial statute which conflicts with any provincial law—and that includes the Colonial Laws Validity Act—must go by the board, for all the legislatures stand supreme. The only act that is excepted, the only act that has absolute independence of Canadian parliamentary rights is the British North America Act. Subsection 1 of section 7 of the statute of Westminster of 1931 provides:

1. Nothing in this act shall be deemed to apply to the repeal, amendment or alteration of the British North America Acts, 1867 to 1930, or any order, rule or regulation made thereunder.

It further provides:

2. The provisions of section 2 of this act shall extend to laws made by any of the provinces of Canada and to the powers of the legislatures of such provinces.

3. The powers confered by this act upon the parliament of Canada or upon the legislatures of the provinces shall be restricted to the enactment of laws in relation to matters within the competence of the parliament of Canada or of any of the legislatures of the provinces respectively.

Therefore the hon. member for Broadview has his remedy. Therein lies the remedy for every person of whom the ex-Secretary of State (Mr. Cahan) spoke this afternoon with

respect to the carrying on of business and the various taxes that might be levied upon it by the provinces under the new authority for indirect taxation. They have their rights, as the leader of the opposition well knows, and as the ex-Secretary of State well knows, for they are both members of the legal profession, in which they stand high. If there is an attempt on the part of the legislatures to pass legislation which does not come within that section and the section that is proposed by way of amendment, there is recourse to the courts. My hon. friend from St. Lawrence-St. George this afternoon read extracts from judgments of the privy council in reference to the question whether various acts were ultra vires or intra vires, which were taken there on appeal either from the Supreme Court of Canada or directly from the supreme courts of the respective provinces.

All men are human. Every hon. gentleman in this house, the premier of every province, the governments of the provinces and the members who support them or who sit in opposition, are all apt to make mistakes, and if they do the courts are there to decide whether or not anything that has been done by a province with respect to indirect taxation comes within the purview of the rights and privileges of the provincial legislature, or within the rights and privileges of the parliament of Canada or under the new authority to be given through the imperial parliament, on petition of the parliament of Canada as set out in this resolution.

Certain new powers are being extended to the provinces in these dark days, though they are not so dark as they were; they are getting brighter every day. As Coué used to say: Every day in every way I am getting stronger and stronger. There is a lot of Couéism on this side and a lot of hooeyism on the other side, and the only thing is for hon. gentlemen opposite to have courage and faith. I say to them: Believe in the Prime Minister of Canada; believe in the great and sturdy stock from which he came; believe in his hopes and ambitions and in his fine desires, which are not selfish even to an infinitesimal degree. It is men of this calibre who will lead the country back to prosperity and have Canada take her place in the galaxy of nations that make up the great British commonwealth.

Mr. BENNETT: What about the resolution?

Mr. FINN: I would say to the right hon. gentleman that it may be a case of sour grapes with him, but I am paying a well deserved compliment to the Prime Minister of Canada. Caesar spoke once, and Mussolini spoke also; but there was a Mussolini who was not across the water, and he is not so far away that, if I had a few yardsticks, I might not be able to touch him on the shoulder.

Mr. BENNETT: What about the resolution?

Mr. FINN: When my right hon. friend asks me, "what about the resolution?" I put that very question to him: What about the resolution? Is he going to vote for it? My right hon. friend has been silent and silence gives consent. The hour is growing late; the time for voting is near at hand, and while the burning candle holds out the right hon. gentleman has still an opportunity to express his views on this subject. I shall be pleased to listen and to follow, and in so far as I can will agree with him. And that is saying a great deal. A gentleman who owns one of the great newspapers, or rather a chain of newspapers, in the United States, said that the world would be a happy place if it were not for the "ifs" and the "buts," and it seems to me—I hope this is not unparliamentary—that the "if-ers" and the "butters-in" are not on this side of the house. I will not say where they are, but I see quite a few of them around me. It is well to have a little bit of revelry, a little sunshine and pleasantry, but it is splendid to be serious, as I believe my right hon. friend the leader of the opposition desires me to be, and as I hope he will be if he speaks this evening.

As regards this power that will be conferred upon the provinces by amendment to section 92, subsection 2, "indirect taxation within the province in order to the raising of a revenue for provincial purposes," there is no provincial premier who is sane who will undertake to do things under that clause as amended, unless he feels sure that the people of the province are behind him, and has consulted his legislature before he undertakes to do it, and he cannot do it without legislation. And if the legislatures, composed of members sent there for that purpose, pass upon the amendment and the purpose to which it is proposed to apply it, can any person complain of that course? Is there anything wrong about that? Is there any sinister motive in the resolution as brought down in this house by the Minister of Justice in order that there shall be free discussion on all sides of the amendment it is proposed to submit to the imperial parliament to give wider authority to the provinces? If in the judgment of this house or of any future parliament this power is used by any province to an extent that was not intended, it is competent for the people of Canada to

ask that the British North America Act be again amended to provide for such a situation. My right hon. friend smiles. I know he was going to say, if he could interrupt me, that once the power is conferred upon a province it comes within section 92, and the parliament has lost control over the power. That is true. But the people have the right to speak, and if they do, any government they put into office will ask for an amendment with reference to this or any other amendment.

This is not the first amendment to the British North America Act to go to the imperial parliament. I heard the leader of the opposition recite some of them a few days ago, and I say to-day—and in so doing I compliment him—that the statute of Westminster was breathed forth first by Sir Wilfrid Laurier and then by his eminent successor the present Prime Minister, but it happened to be passed when the leader of the opposition was Prime Minister; not one section or subsection of that statute would have been placed upon the statute books of the imperial parliament if the leader of the opposition, when Prime Minister, had not said to the British government that Canada wanted it passed; and because of that it was passed. So, when hon. gentlemen of the social credit party say that there is a dark lantern brigade or something of the sort looming above the horizon, I reply that if there is, then let them look to the right of themselves; let the right look to the left of themselves, and we will look after ourselves.

That is all I desire to say, and I would not have injected myself into this debate but that I did not wish to allow a wrong impression to go abroad in the country at this time, when governments are at their wits' end to know what to do and how to do best those things that are necessary to keep the wolf from the door and provide for the poor people who to-day and during the past few years have been unable to find employment in the industries or the vocations with which they have been associated all their lives. This government has undertaken to grapple with that great problem, and in the midst of its endeavour is seeking, not to control the credit of Canada or the parliament of Canada, nor to evolve new banking institutions which would be superior to parliament, but to have placed upon the statute books at this session legislation that will permit them, in a democratic open way, to do their duty and live up to the promises made by the Prime Minister when in opposition and on the platform from Halifax to Vancouver. I believe that before this session closes every promise he made will be fulfilled, except that perhaps time will not permit one or two of them to be carried out at this time. But at the very earliest opportunity—I speak without authority or knowledge, but with confidence—the Prime Minister will implement every promise he has made, promises which to him are as sacred as his beautiful memories of those whom he loved and who have gone before. My last word is to ask hon. gentlemen opposite to help him in his awful task of trying to revive this great young Canada of ours, and not to cling to that retardism which happened during the days of the leader of the opposition, and for all of which he was not to blame, because there were conditions over which he had no control. For those he could control he was taken to task, and for those he suffered; and now I sit down.

Mr. DAVID SPENCE (Parkdale): The hon. gentleman from Halifax (Mr. Finn) who has taken his seat always entertains the house. We are all delighted to hear him, but I really cannot follow what he has been saying, so he will excuse me if I pay no attention whatever to it.

Mr. FINN: That is a sort of left-handed compliment. Perhaps my hon. friend may be deaf. If he heard all right I should like him to answer.

Mr. SPENCE: Yes, I heard all right; thank you. He seems to have great faith in the right hon. Prime Minister (Mr. Mackenzie King). I hope he retains his belief.

Mr. FINN: I have implicit faith in him.

Mr. SPENCE: I did not know that this proposal was of so much importance to the business world when I heard the Minister of Justice (Mr. Lapointe) introduce it this afternoon. I thought it was rather an argument to be taken up by my hon. and learned friend, and I was called from the house and forgot to come back. But when I returned I heard my hon. friend from Broadview (Mr. Church) making a splendid argument on behalf of the municipalities and the business world, both the wholesale and retail trades. He represents a riding in which there is more retail and wholesale trade than in any other riding in the city of Toronto, or even in Montreal, and he should know something of what he is talking about. He is to be commended for the argument he advanced. Men like myself, who are engaged in business, do not like to be continually under the necessity of rising to argue against legislation which is intended to hurt or has the effect of hurting the business world.

Business has been crucified for the last good many years. Everyone has the wrong con-

ception of it; everyone—and this is true of legislators in particular—thinks the business world is always making money and can stand anything. To-day it is becoming a gold-digging proposition with all governments to get money out of the business world in every possible way, whether or not it is making money. I hope this resolution will never pass this house, and if it does I hope it will not pass the senate. If the senate does not throw it out I hope it will be thrown out by the House of Commons in England, which I think will be the case. No provincial government should be given any such power as this.

Mr. MERCIER: You will have a tremendous amount of work.

Mr. SPENCE: I did not understand the question. If the hon. gentleman wishes to ask me something let him speak up, and if it is a sensible question I will answer it if I can. Do not be mumbling across the floor.

This means a great deal, and I wish to direct the attention of the house to some of the things that will result. Under this resolution we are to have indirect taxation within the province in regard to retail stores. Why should such power be given to a provincial government, say to our own provincial government in Ontario, that has set out to dig out of the public every dollar it possibly can get, and I believe the same applies to every other province? That seems to be the intention. Every bit of legislation that has been introduced in both provincial and federal parliaments for the last few years has tended to create more monopolies. This legislation is going to do the same thing; it will drive business into fewer hands. Thousands of independent retailers, along with thousands in the wholesale trade have been driven out of business, all due to interference by governments and legislatures similar to this. A few years ago the number of months you could stay in business depended upon how many thousand dollars you had, so hon. members can figure out how many more will fail and go out of business if this resolution goes through. It will take only another year or two to finish the whole lot.

Let me refer to Canadian Industries Limited as one example of a monopoly, and let me remind the house that legislation of this kind tends to create monopolies. The great terminal warehouse on the waterfront of Toronto was promoted by Sir John Willison and Sir William Hearst, two men of good repute, and many innocent men and women who had money with which to buy bonds invested it in that company. They constructed a building costing $7,000,000, thinking it would make money. This was another case of people who did not know anything about what they were doing promoting a proposition and deceiving the innocent public into putting money into it. They lost barrels of money; that concern has lost from $200,000 to $300,000 a year ever since the building was constructed, and now it has been sold to the Du Pont people in New York, who control Canadian Industries Limited. I have warned this house time and again that before long the United States will own this country through systems of that kind. No wonder the people of Toronto are discouraged to-day when, after investing their money in this concern, the Du Pont people of the United States were allowed to come in and acquire that building, which cost $7,000,000, for $2,400,000. Just imagine that!

Mr. FINN: Why did the hon. member not buy it?

Mr. SPENCE: How could I buy it? I had nothing to buy it with. I might have had the down payment a few years ago, but I would not have enough now, due to too much interference, I will not say by whom.

Some hon. MEMBERS: Hear, hear.

Mr. SPENCE: May I tell you this, Mr. Speaker? Ever since I have been in this house the Liberal party, which is in power to-day, has interfered with business. They tinkered with tariffs; they put this industry and that, this man and that, out of business, and to-day we do not know where we are. They were the first to start interfering with business, when they came into power in 1921.

This resolution will also give the provinces the right to impose a turnover tax, as I understand it. Just what would a turnover tax mean? Does anyone know anything about it? Take the business I am in; supposing I turn over $10,000 worth of grapefruit, oranges, celery, lettuce and commodities of that kind, which would not be too much for me to turn over. Supposing I lose $1,000 on the deal. Will they come along with a turnover tax of one per cent, say, and take another $100 away from me? How would hon. members like a turnover tax of that kind? No man should make laws unless he knows something about what will be the result, or gets advice from someone who does know. Did Sir John Willison and Sir William Hearst ask one man who had practical knowledge for any information when they promoted that great warehouse on the waterfront of Toronto? If they had done so, that warehouse would never have been built, but they did not ask anyone. They did not know anything about what they were doing,

and it is the same with this government half the time; they do not know what they are doing. I think they are acting innocently; I do not believe they are doing this purposely, intending to hurt anyone. I have every confidence in the Minister of Justice; I think he intends to be fair, but he is like many others—

An hon. MEMBER: Did he not ask the hon. member?

Mr. SPENCE: I did not expect him to ask me. Then there is the sales tax. We now have a federal sales tax of eight per cent, and heaven knows, if we have another three per cent or four per cent added by the Hepburn government in Ontario, we shall have nothing left. They already have a gasoline tax of six cents per gallon, and I suppose they will now increase that to ten cents. There is the amusement tax which should be going to the municipality which enforces the by-laws, but that tax is all going to the province. They are getting all the money from the amusement tax, and I assume they will be allowed to increase that tax as much as they wish without any interference on the part of this government, because they are its personal friends. Then there is this tax on the patronage of hotels. That is imposed in some countries already, and I have no doubt the gold-diggers in Ontario, as well as in the other provinces, will lose no time in imposing it in Canada.

Seriously, I do hope the minister will reconsider this resolution, and will withdraw the proposition entirely. As far as I am concerned I will do anything possible to defeat it, either here, in the senate, in the old country, or in any other place.

Some hon. MEMBERS: Oh, oh.

Mr. SPENCE: My hon. friends need not display so much ignorance by laughing. Probably I have just as much influence some other place as they have, and if I cannot exert it myself I will get someone else to do so. I have that much influence, anyway. I sincerely hope the legislation will not go through, having in mind where the taxes come from to-day. These taxes are always designed to take money from the man in business, and he cannot pay any more than he is paying to-day. Already he is paying more than he can afford. This will be the last straw that will break the camel's back; it is going too far. I do not wish to take up any more time—

Some hon. MEMBERS: Go ahead.

Mr. SPENCE: I like to say what I have to say in a few minutes, and I do not want to take up any more of the time of the house, though I cannot be accused of taking it up to any great extent.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I regard this matter as one of some importance. It is a much more important resolution than possibly some of our hon. friends realize. It is the foundation upon which the imperial parliament is expected to pass a statute, for after the statute of Westminster the understanding is that the imperial parliament will give effect to any request made in proper form by the parliament of Canada as to the amendment of our constitution.

I should like to point out that what we are in terms doing is seeking an amendment of an imperial statute. It is the British North America Act, and at the same time it is the constitution of this country. That statute was enacted by the parliament at Westminster, and that parliament only has power to amend it. The proposed amendment to the constitution is dealing with a matter which, as I shall try to point out, is of very great importance. When I recall the plea made by the Minister of Labour (Mr. Rogers) on more than one occasion as to the manner in which amendments to the constitution should be approached I wonder that this resolution is in the form in which it is.

Possibly in view of the fact that so many hon. members are not members of the legal profession it might be well to point out just a few observations made in the privy council as to the nature of our constitution. I do not propose to do so at length, but it may serve some useful purpose in our appreciation of the importance of the matter we are now considering. First of all I should like to indicate that this statute, the British North America Act, is all-comprehensive, so far as our legal and constitutional position may be concerned. Notwithstanding the fact that there were Quebec resolutions upon which it was based the fact remains that those resolutions are no longer pertinent or relative to consideration of the act, from the standpoint of legality, and that we must consider the terms of the statute as construed by the courts.

For instance, one of the earlier references to the act in a judgment of the privy council is in the words following:

When the British North America Act enacted that there should be a legislature for Ontario, and that its legislative assembly

should have exclusive authority to make laws for the province and for provincial purposes in relation to the matters enumerated in section 92, it conferred powers not in any sense to be exercised by delegation from or as agents of the imperial parliament, but authority as plenary and as ample within the limits prescribed by section 92 as the imperial parliament in the plentitude of its power possessed and could bestow. Within these limits of subjects and area the local legislature is supreme, and has the same authority as the imperial parliament, or the parliament of the dominion.

Later, in reference to a case from New Brunswick the court said:

The act places the constitutions of all provinces within the dominion on the same level; and what is true with respect to the legislature of Ontario has equal application to the legislature of New Brunswick.

And again:

In 1867 the desire of Canada, for a definite constitution embracing the entire dominion, was embodied in the British North America Act. Now there can be no doubt that under this organic instrument the powers distributed between the dominion on the one hand, and the provinces on the other, cover the whole area of self-government within the whole area. It would be subversive of the entire scheme and policy of the act to assume that any point of internal self-government was withheld from Canada. Numerous points have arisen, and may hereafter arise, upon those provisions of the act which draw the dividing line between what belongs to the dominion or to the province respectively.

In the interpretation of a completely self-governing constitution, founded upon a written organic instrument such as the British North America Act, if the text is explicit the text is conclusive, alike in what it directs and what it forbids. When the text is ambiguous, as, for example, when the words establishing two mutually exclusive jurisdictions are wide enough to bring a particular power within either, recourse must be had to the context and scheme of the act. Again, if the text says nothing expressly, then it is not to be presumed that the constitution withholds the power altogether. On the contrary, it is to be taken for granted that the power is bestowed in some quarters unless it be extraneous to the statute itself as, for example, a power to make laws for some part of His Majesty's dominions outside of Canada or otherwise is clearly repugnant to its sense, For whatever belongs to self-government in Canada belongs either to the dominion or to the provinces, within the limits of the British North America Act.

And again:

They adhere to the view which has always been taken by this committee that the federation act exhausts the whole range of legislative power and whatever is not thereby given to the provincial legislatures rests with the parliament.

On another occasion the courts made similar observations, notably in the decisions pronounced by Lord Haldane, who became Lord Chancellor in the early years of the twentieth century and who, until the time of his death, was largely responsible for the construction placed upon our constitutional act. Speaking of the general powers conferred upon the provinces, he said:

The provinces were to have fresh and much restricted constitutions, their governments being entirely remodelled. This plan was carried out by the imperial statute of 1867. By the 91st section a general power was given to the new parliament of Canada to make laws for the peace, order and good government of Canada without restriction to specific subjects, and excepting only the subjects specifically and exclusively assigned to the provincial legislatures by section 92. There followed an enumeration of subjects which were to be dealt with by the dominion parliament, but this enumeration was not to restrict the generality of the power conferred on it. The act, therefore, departs widely from the true federal model adopted in the constitution of the United States, the tenth amendment to which declares that the powers not delegated to the United States by the constitution, nor prohibited by it to the states, are reserved to the states respectively or to their people. Of the Canadian constitution the true view appears, therefore to be that, although it was founded on the Quebec resolutions and so must be accepted as a treaty of union among the then provinces, yet when once enacted by the imperial parliament it constituted a fresh departure, and established new dominion and provincial governments with defined powers and duties both derived from the act of the imperial parliament which was their legal source.

That, Mr. Speaker, I conceive to be an important statement, having regard to what I shall presently indicate. I have quoted these statements as a foundation for indicating that the powers of the provinces and of the dominion were defined by our constitutional act. In view of the fact that when they dealt with financial problems they did so in the manner indicated by sections 91 and 92 of the act, I think it might be well to read subsection 3 of section 91. It will be recalled that section 91 defines the powers of the federal parliament, and the powers with respect to taxation are indicated under the third heading, which states that the parliament of Canada shall have exclusive jurisdiction over "the raising of money by any mode or system of taxation." That makes it clear that this parliament may and, in fact, has exercised the power of raising revenue both by direct and indirect taxation. With respect to direct taxation the reference given this afternoon, namely the income tax of 1917, affords a clear illustration. With respect to indirect taxation it is only necessary to refer to customs and excise.

But with respect to the power of the provinces to raise revenues we must turn to section 92 which provides that each provincial legislature:

... may exclusively make laws in relation to matters coming within the classes of subjects next hereinafter enumerated, that is to say,—

2. Direct taxation within the province in order to the raising of a revenue for provincial purposes.

It will thus be apparent that when this act was enacted by the parliament at Westminster there was a clear-cut division as to the methods to be pursued by the new dominion on the one hand and the provinces on the other for the purpose of raising their revenues. While the widest power was conferred upon this parliament to raise revenues by any scheme or plan, direct or indirect, the limitation imposed upon the right of provincial legislatures to raise money by direct taxation within the provinces only was one that was thought to be in the interests of the general scheme of confederation as a whole. In that regard it is important to bear in mind an observation made in a case to which reference was made this afternoon by my hon. friend from St. Lawrence-St. George (Mr. Cahan). I need not refer to the fact that in the very earliest days the problem of dividing direct from indirect taxation became important. We had a case from Quebec with respect to stamps to be placed upon policies of insurance, a case from Quebec with respect to stamps to be placed upon exhibits in the courts, cases with respect to taxing the banks upon their paid-up capital, and cases with respect to succession duties and matters of that kind, and it became necessary from time to time for the court of last resort to define what was meant by direct taxation. But in the earliest cases it was pointed out that it was no longer possible to define direct and indirect taxation with that finality of definition which may be attributable to works on political economy, but rather that these terms must be construed in the light of ordinary understanding. So, when a case, known as the Fairbanks case, came up from Halifax, in connection with the imposition of a business tax, it became necessary to restate the position, and that was done by the Lord Chancellor of the day, Lord Cave, in the following words, dealing with the question of the distinction between direct and indirect taxation:

The framers of that act—

The British North America Act.

—evidently regarded taxes as divisible into two separate and distinct categories, namely, those that are direct and those which cannot be so described, and it is to taxation of the former character only that the powers of a provincial government are made to extend. From this it is to be inferred that the distinction between direct and indirect taxes was well known before the passing of the act; and it is undoubtedly the fact that before that date the classification was familiar to statesmen as well as to economists, and that certain taxes were then universally recognized as falling within one or the other category. Thus, taxes on property or income were everywhere treated as direct taxes.... On the other hand, duties of customs and excise were regarded by everyone as typical instances of indirect taxation. When therefore the Act of Union allocated the power of direct taxation for provincial purposes to the province, it must surely have intended that the taxation, for those purposes, of property and income should belong exclusively to the provincial legislatures, and that without regard to any theory as to the ultimate incidence of such taxation. To hold otherwise would be to suppose that the framers of the act intended to impose on the provincial legislature the task of speculating as to the probable ultimate incidence of each particular tax which it might desire to impose, at the risk of having such tax held invalid if the conclusion reached should afterwards be held to be wrong.

What then is the effect to be given to Mill's formula above quoted?

References were made to the definition of John Stuart Mill, and when that definition was accepted by the privy council, references at that time and later were made to the opinions of Mill, Ricardo, Adam Smith and others. But counsel representing the appellants in the case came to the conclusion that Mill's definition of direct and indirect taxation was better suited for his argumentative purposes, and the court at least adopted that view in the judgment which was delivered, and these are the words repeated again in 1933 by the court in respect to the Fairbanks case from Halifax. In dealing with that definition, or, as he called it, formula, His Lordship said:

No doubt it is valuable as providing a logical basis for the distinction already established between direct and indirect taxes, and perhaps also as a guide for determining as to any new or unfamiliar tax which may be imposed in which of the two categories it is to be placed; but it cannot have the effect of disturbing the established classification of the old and well-known species of taxation, and making it necessary to apply a new test to every particular member to those species. The imposition of taxes on property and income, of death duties and of municipal and local rates is, according to the common understanding of the term, direct taxation, just as the exaction of the customs or excise duty on commodities or of a percentage duty on services would ordinarily be regarded as indirect taxation; and although new forms of taxation may from time to time be added to one category or the other in accordance with Mill's formula, it

would be wrong to use that formula as a ground for transferring a tax universally recognized as belonging to one class to a different class of taxation.

That is the judgment of the judicial committee in 1933.

Mr. MACKENZIE (Vancouver): What is the reference?

Mr. BENNETT: 1928 Appeal Cases, pages 117, 124, 125, quoted with approval in the judgment of Lord Thankerton in Attorney General for British Columbia and Kingcome Navigation Company Limited, reported in Appeal Cases, 1934, to which reference was made this afternoon. That exhausts all I desire to say with respect to the foundation of my observations.

Now I ask this question, Mr. Speaker: Having regard to the complex character of the financial relations between the dominion and the provinces; having regard to the acute distinction that was made by the framers of the constitution as to the powers to be exercised by the legislatures on the one hand and by parliament on the other, and having regard to the fact that only direct taxation was to be imposed by the provincial legislatures while any form of taxation was within the competence of this parliament, is it right or meet that this amendment should be made in the form in which we are now proceeding?

In the United States, if they were endeavouring to make this amendment to their constitution—and of course the powers of the states and of the federal authority are entirely different from what they are in Canada—the matter would first of all have to be dealt with by congress and then by each of the states until the adequate majority provided by the constitution was available. If in Australia they desired to deal with the matters that are being dealt with in this resolution they would have to proceed to amend their constitution in accordance with the provisions of their constitutional act, and seek the opinion of the people themselves with respect to both the amendment of the federal power and the amendment of the powers exercised by the states. That was done, as a matter of fact, in consequence of a condition which arose in Australia when in conference between the heads of states and the federal power it became clear that it was desirable to bring about very much the same condition as is being brought about by the resolution now before this house. But I shall point out presently, and I think show conclusively, that there is no necessity at all for this amendment with respect to the exercise of some of the powers which we are endeavouring to exercise. If we were seeking to make this amendment in South Africa, we would again, if the constitution were to be altered, have recourse to the various safeguards provided for that purpose.

An ordinary amendment to our constitution is not a matter of tremendous importance. An act to validate certain acts that were done when a province was created, as was Manitoba, an act such as that for which we sought authority in this house before 1930—all these are simple matters, but when you come to change the essential foundation of our whole financial system I submit that it should not be lightly done. It should not be done without there being at least some evidence of which one can say: Here is the evidence of the provinces having acted, or here is the evidence of the province requiring it, in the form of a resolution passed by the legislature of the province seeking the exercise of the powers sought in this resolution.

I will admit that that is not a tremendously important objection, but it is important when we come to deal with the fundamentals of the amending of a constitution in a matter of such transcendent importance as the financial power entrusted by the constitution to the legislatures, on the one hand, and to parliament, on the other. In this instance, if I seek to-day to ascertain whether or not the provinces have agreed, I can look in Hansard and all I can find is that some premier sent a telegram or some evidence of a meeting between gentlemen representing the federal government and gentlemen representing one of the provincial governments. Surely that is not the method which should be provided when one comes to deal with a matter so important as the altering by amendment of the whole financial system under which this federation came into being. That is my first submission with respect to this matter; that is the reason why I took the trouble to read these extracts in order that it might be apparent to even the lay members of the house that this distribution of power was not lightly made; that it represented the views as to how best the financial structure of the provinces could be maintained and within what limits they should exercise their taxing power, while on the other hand according to the federal parliament the power to tax by every means within the authority of a taxing power, namely, by either direct or indirect taxation.

Proceeding in the light of these observations, I desire now to direct attention to the first proposed amendment. This is an amendment to our constitution which will confer

upon the provincial legislatures a power not heretofore enjoyed. I shall not go over the argument so ably made this afternoon by my colleague, the hon. member for St. Lawrence-St. George. I shall content myself in a single sentence to point out that in the exercise of this power there is an effort to exercise jurisdiction which, under the constitution, belongs to the federal power. For many years the privy council has declared certain legislation beyond the competence of the legislatures or, as we lawyers say, ultra vires, and the law fell by the wayside. An instance in which Alberta sought to impose a tax in connection with coal mining was held to be bad, just as was the first fuel oil tax which British Columbia sought to impose. Other taxes in other provinces were held to be bad, because there was an effort on the part of the provincial legislatures to tax by indirect means when they had no authority or power so to do. Finally the second fuel oil tax of British Columbia came before the judicial committee for consideration in 1933. At that time it was pointed out that it was quite clear from the terms of the statute that it proposed to make the consumer of the fuel oil liable for the tax and it thereby became a direct tax, as distinguished from an indirect tax.

All taxes are paid by somebody and whether it be the last person or the first is not at the moment a matter of importance. For many years this distinction between direct and indirect taxation was the subject of much litigation, and this continued until the judicial committee decided in the fuel oil case that this power could be validly exercised in the manner and form provided by that statute. For that reason I point out that there is no necessity for this statute inasmuch as the principle established by that case gives the province every power it should have. In view of our exercising the powers we do, to confer upon the provinces the wider power of indirect taxation cannot but have reference to some form of taxation that one finds it difficult to conceive of in view of the judgment of the committee in that case.

A sales tax in Alberta is valid to-day, just as is the sales tax in New Jersey or New York city. If you buy a dollar's worth of goods, you have to provide two coppers or two cents as the tax imposed upon the consumer. Under the provisions of the sales tax in Alberta, a purchaser pays two cents, and so on as his purchases increase. That is a tax paid by the consumer. What indirect power to be vested in the legislature can one conceive of that could be validly exercised except for the purpose of, as I shall presently point out, crippling the power exercised by the dominion?

Let us go a step further. I trust the house followed me when I pointed out that section 92 of the British North America Act, to which this is to be an amendment, provides the matters in relation to which the provincial legislatures may exclusively make laws. When this new section becomes effective we shall have taken from this parliament the power of indirect taxation to the extent that we have conferred it upon the provinces.

Mr. LAPOINTE (Quebec East): Oh, no.

Mr. BENNETT: Just let us make it clear.

Mr. LAPOINTE (Quebec East): Section 92 does not take away the powers of section 91.

Mr. BENNETT: We have now taken the power away. We have conferred upon the provinces a right of indirect taxation which we ourselves were exercising and of which we have divested ourselves for the purpose of enabling them to exercise it.

Mr. LAPOINTE (Quebec East): I think that is going too far.

Mr. BENNETT: These are the words:

> In each province the legislature may exclusively make laws in relation to matters coming within the classes of subjects next hereinafter enumerated; that is to say,—
> Retail sales ...

If that exclusive power is conferred, that power cannot be exercised by the dominion. That power rests either with the dominion or with the provinces. If it can be exclusively exercised by the provinces—I will read it in a moment if it is so desired—it cannot be exercised by the dominion. There was before the privy council a very important case in which judgment was given by Lord Watson. This was to ascertain whether the subject matter of legislation was within the competence of the province. If it is within the competence of the province, it is exclusive and the federal power cannot be exercised. We had the power to impose both direct and indirect taxation, but after we have changed section 92 with respect to retail sales, the provinces will have exclusive jurisdiction, the federal power having divested itself of that authority. I do not think my friend the Minister of Justice followed me. I was not saying that it was broad enough to cover everything. I stated that it covered only retail sales. Under this resolution the power to tax retail sales becomes exclusively the power of the provincial legislatures.

Mr. ILSLEY: What about two income taxes, one for the province of Ontario and one for the Dominion of Canada?

Mr. BENNETT: That is perfectly simple.

Mr. ILSLEY: Both are valid.

Mr. BENNETT: Both are direct taxes. If we passed a law to exclude the exercise of that power with respect to incomes, if we changed the statute as it is being changed here, then we would no longer have authority. Will the hon. gentleman take the trouble to look at the resolution, which reads:

Section ninety-two of the British North America Act, 1867, is amended by adding thereto as clause 2A the following:—

2A. Indirect taxation within the province in respect of:

(i) retail sales,—

Mr. ILSLEY: If my right hon. friend will permit me, he is leaving out the concluding words, "in order to the raising of a revenue for provincial purposes." That does not exclude the dominion from imposing indirect taxes on retail sales in order to the raising of a revenue for dominion purposes.

Mr. BENNETT: That was the very point made by the hon. member for St. Lawrence-St. George. There is no doubt about it that the federal power could do it by any form of taxation whereas the provincial power could do it only by direct taxation. Under this amendment we say that the exclusive power to impose taxation with respect to retail sales for the purpose of raising revenue within the province rests with the provincial legislature.

Mr. ILSLEY: If my right hon. friend will permit me, he has left out a very important consideration in the words at the end of section 91.

Mr. BENNETT: Not in the slightest. The power to tax under section 91 is for the dominion for any purpose; but if the dominion sees fit, by its own act and at its own request, to grant to the province the exclusive power of indirect taxation for retail sales, then you change the constitution so as to deprive yourself of the right which you formerly enjoyed in that regard.

Mr. ILSLEY: Not in view of the words at the end of section 91.

Mr. BENNETT: I am familiar with the words at the end of section 91. We part with them and leave the statute with that much taken from it which was previously there. Section 91 has not been changed, but we by our own act have taken out of section 91 indirect taxation with respect to retail sales within the province.

[Mr. Bennett.]

To continue the argument—and I say this only in passing—what indirect taxation on retail sales is there that is not covered by direct taxation, as finally settled by the privy council? There can be only such as were mentioned this afternoon, taxes that will, if imposed by the province in the manner and form indicated, constitute with the dominion tax a complete turnover tax. But what will be the effect, having regard to the powers thus conferred upon the provinces?—because they are sovereign within their legislative jurisdiction; they can make such distinctions as they like. Let us assume, however, for the sake of argument, that they desire to place one form of taxation on sales of their own goods within their province, and then they see fit to place another form of taxation on goods that come from other parts of the world. We have not the power to limit them.

Mr. DUNNING: Have we now, if they place the tax on the consumption of goods?

Mr. BENNETT: Not on the consumption of goods; but it must be a tax paid by the consumer on the goods directly, at the time he purchases them. That is the position at the moment. I mention that only in passing, because it is important having regard to what I consider—I trust the Minister of Justice will not think this offensive—the loose way in which this resolution is drawn. There would be no difficulty if it were drawn as suggested by my colleague this afternoon; that would make it clear. But as it stands now there is a difficulty.

I go on to the next point. You have the right to taxation on retail sales, with the exceptions mentioned; then you can impose indirect taxation on the patronage of hotels, restaurants and places of amusement or entertainment. Now what indirect taxation can one conceive of on a place of amusement, when at the present time in practically every province of Canada there is imposed upon places of amusement a direct tax which is paid by every patron as he enters a theatre? What indirect taxation has any provincial premier or treasurer suggested in that respect which could be exercised, unless it be an additional tax against the earnings of the amusement hall? As the hon. member for Parkdale (Mr. Spence) pointed out, that tax would be taken regardless of profits; it would be taken whether or not there was any profit at all in the transaction. That indirect tax might conceivably be collected, in view of the statutes that have been passed, at least in Manitoba and one other province, imposing a tax upon the wages received by various persons; and coupled with the tax

that might be levied on amusement halls—let us say, for the sake of argument, that the tax is ten cents on each ticket, then an indirect tax imposed upon the receipts for the day of two, or five or six or eight or ten per cent—is that desirable? I submit to the house that every possible power which a province could reasonably desire to exercise with respect to theatres, places of amusement, restaurants or the patronage of hotels, can be exercised now. For instance, when a guest in an hotel gets his bill he can be asked to pay five per cent or ten per cent in addition; in the restaurant he pays five or ten per cent in addition; or it might be a place of amusement or entertainment, as I have mentioned. But the indirect power which it is suggested should be granted to the province would enable them to impose only taxes of the kind I have indicated; and I submit, having regard to the decisions made within the last two years, it is abundantly clear that such a power should not be thus exercised.

Now, as to the first point, with respect to the clause as to exclusive power, I merely mention that in passing as being open to argument. I do not think—I agree with the Minister of Justice—that the point is the strongest one in the world, but it has to do with the mechanics of the statute, and I think any difficulty on that score might be removed by a clearer statement of the position, by repealing head 2 of section 92 and substituting for it a new head which would include direct taxation and those forms of indirect taxation that are mentioned in the resolution, with the appropriate exceptions, namely, "alcoholic beverages, spirits, malt, tobacco, cigarettes and cigars, which are subject to customs and excise duty or tax in Canada or other than of all goods and articles for delivery without the province." Having regard to the fact that the privy council has decided that the province is limited in its power of taxing within the province, what suggested to me the argument with respect to the exclusive power was the fact that the draftsman had added "without the province"; that is, he had added articles for delivery without the province. It is difficult to conceive of delivery as being the test as to whether the tax should be imposed. In France, when the luxury tax was imposed, I made a small purchase in a store and was asked whether I was going to London. I said I was and was told, "Our office will deliver the goods to you in London and you will have to pay any taxation there is." I suppose it is the same principle here; that is to say, if goods go outside the limits of one province, there is no retail sale for purposes of the tax within that province. I assume that is the purpose which is in the mind of the draftsman.

Now, all this is in order to the raising of a revenue for provincial purposes. I really find it difficult to conceive of any case except one in which taxation is to be imposed as has been suggested in one of the provinces, and the effect of this legislation will enable that tax to be imposed. It means direct confiscation. The exercise of that power practically means that. The privy council has not directly in terms decided that a province may not confiscate; in fact, in the Florence M. mining case it decided that the province could confiscate. I will not anticipate the judgment in the case before the courts, but be that as it may, as regards some of the suggestions as to how, in Alberta, a social credit dividend is to be paid, this at least will afford the opportunity. About that there can be no doubt, and I suggest that one should pause and consider whether or not to grant such power of indirect taxation, when the powers with respect to direct taxation, in the light of the decisions to which I have referred, are sufficiently broad and comprehensive for every purpose that can now reasonably be conceived. That is all I have to say in that respect.

The second branch to which I desire to direct attention is that which makes this section retroactive. I will not traverse the argument so ably made this afternoon, but I should like to add just these words. In view of the decision to which I have referred, why should we say that a power admittedly invalid, exercised by a legislature authorizing the doing of an admittedly invalid act, admittedly taking from a man by force that which you had no right to, shall receive the sanction of this parliament to the extent of asking the parliament of Westminster to make it valid? I think that is extremely serious. I have never been able to understand the suggestion. All the cases to which reference was made this afternoon are entirely different from this. They had to do with problems of constitutional doubt, arising out of questions of boundaries, extension of title, such as the Hudson Bay title and the Rupert's Land title; they had to do with the question of whether, on the true construction of the statute, there was any power in this parliament to have an oath taken at an investigation. They were all problems such as those. But, mark you, this resolution does not say, "to remove any doubt." When I first looked at it—

Mr. CAHAN: It clearly states that there is no doubt, by stating that it is now illegal.

Mr. BENNETT: I am just coming to that. It makes it clear that there is no doubt as to illegality. Is that right?

The said clause shall be deemed to have retroactive effect with respect to provincial legislation in force at the passing of this act.

Having regard to the fact that all direct taxation, within the broad definition of direct taxation given by Lord Cave, is invalid, are we doing just the right thing in asking the imperial parliament at Westminster—they having undertaken to pass statutes when we ask them by petition to do so—to pass an amendment which says that the illegal taking of money from various persons shall thereby become legal, or to pass an amendment with respect to litigation that may now be pending? I submit that nothing can be better calculated to cast a slur upon our credit than that very thing, because it indicates a willingness on our part to connive at the doing of something which we now admit is illegal. Is that right? I do not put it upon legal grounds alone. The first occasion upon which I ever appeared in the privy council was on a case just such as that. Alberta passed a statute by which it was provided that $6,000,000 lying in the bank to the credit of the Alberta and Great Waterways Railway should become part of the general revenues of that province—just like that; the provincial treasurer issued a cheque for the amount and sent the cheque to the bank, and upon my advice the bank refused to cash the cheque. Ultimately the privy council held that the statute was invalid, because it purported to take money that had been raised for one purpose and use it for another. The act cast an aspersion upon our legislature. I submit that it is very unwise at this particular moment for the Dominion of Canada solemnly, through the Senate and the House of Commons, to ask the parliament of Westminster to say that the will of the Canadian people is that that which was invalid shall become valid, although it constitutes taking by illegal and improper means from the citizens of the country that to which the governments of the provinces had no right.

That is the position which I put to the house. I think I understand as fully as anyone may the necessities of the provinces in the matter of increasing their revenues. But I also feel, and very strongly, that to suggest there is any analogy between the retroactive provisions of the statutes which we have had before, and this statute, is to have a complete misapprehension as to the conditions and terms that are involved in the expression of the judgments of the courts, on the one hand, and of the legislatures and parliament, on the other. I would urge upon the government as strongly as I can the desirability of considering this matter, not from any party motive or standpoint, but purely from the point of view of what the effect will be upon our country when it is found that we here are solemnly asking the parliament which passed the British North America Act to add to it a provision that will be retroactive, regardless of litigation, and will provide that whatever has been illegally done is now legally done, and that money extracted by illegal means shall now be regarded as having been lawfully taken.

There is another point I desire to take with respect to this matter, as showing in my judgment why it is unnecessary that this resolution should be passed. It will be recalled that the provinces have power to create municipal institutions. Once that power is granted to a province, it can, of course, be passed on to the municipalities. The effect of that I hesitate to contemplate, knowing what I do know in connection with the grant of powers by legislatures to municipalities and what the effects have been in various parts of the dominion. I should like the house to contemplate the exercise of this power by the legislature of a province conferring jurisdiction on the municipal bodies to impose indirect taxation on retail sales within that province. It may be said that that is limited by the last words, "in order to the raising of a revenue for provincial purposes." But those words have not been held in times past to be ample to prevent a delegation of powers by a province to municipalities, and in the judgments of our courts it will be recalled that provinces have delegated to municipalities the power to licence, as long as it does not amount to a prohibition. These powers, delegated by the legislative body creating the municipality, give rise in my judgment to an almost intolerable situation. I conclude this by saying that you may have three taxes of the same kind with respect to the same matter. Bear in mind that we have in this dominion a sales tax; at one time we had a business profits tax, and we have other forms of direct taxation to which reference has been made; but now the provinces are going to exercise their powers of indirect taxation. I cannot put the situation more strongly than I did a moment ago, having regard to the declared purpose of at least one government in Canada and the methods to be used for the purpose of raising revenue. You do not have to make a capital levy, although that is what it amounts to. All you do is, by this indirect method, to make a levy which may amount to

confiscation; it still is legal, for the courts have no power to consider whether the tax is or is not a good tax; they say, "the legislature determines that; we determine only whether it is within the competence of the legislature to impose the tax," and under this section that would be so. I am not going to elaborate this point. I shall leave it at that.

We now come to the second branch of this resolution which, in my judgment, is wholly unnecessary. A moment ago I read the interpretation placed upon the powers possessed by the provinces, and if there were any doubts as to the right of the province to contract in the fullest and most ample sense of that term they were removed by the judgment of the privy council in the case of the city of Montreal and the Montreal Harbour Commissioners, in which they said that even by waiver the province might lose its rights. The judgment of the court, delivered by Lord Haldane, held:

> But this by no means disposes of the case. It was undoubtedly within the power of the province of Quebec, with a view to the improvement of the harbour of Montreal, to waive her strict legal rights and expressly or by inference to sanction the works undertaken for that purpose, and it must be considered whether such a sanction is to be inferred in the present case. In their lordships' opinion it is.... Having regard to all these facts, their lordships are satisfied that the provincial authorities have waived any claim to interfere with the existing works, and that, so far as they are concerned, they are bound by what has been done.

Having regard to that I think the Minister of Justice will agree with me that the dominion has complete power to guarantee the securities of a province and that the province has complete power to make a contract with the dominion in respect to them. There is the decision as to the completeness of the power of a province. Does anyone suggest that this parliament needs further legislation from London to enable us to guarantee the securities of any province of this confederation? We have the same power that enabled us to guarantee the securities of the Canadian Northern, the Grand Trunk, the Grand Trunk Pacific, the Montreal harbour bridge, by which power for years we have been going on giving guarantees, even with respect to the Canadian National. Does anyone say that we require further legislation to enable us to guarantee the bonds of the province of Alberta? We have guaranteed bonds of the harbour commissions. No one questioned the legality of that act; the wisdom of it only was questioned. We have guaranteed the securities of all these railways and of other enterprises. Does anyone question the legality or validity of such guarantees? Then why do we require any legislation to enable us to guarantee the bonds of a province? Just look at the words of this second proposed amendment:

> The parliament of Canada may authorize the government of Canada to guarantee the payment of the principal, interest and sinking fund of any securities (hereinafter called "guaranteed securities") which any province of Canada may from time to time make or issue, and, subject to the provisions of this act may prescribe the terms and conditions upon which any guarantee so authorized shall be given, and the provisions of this act shall, in the event of any such guarantee being given, apply and have full force and effect notwithstanding anything contained in the British North America Act—

Now, sir, I ask why we should cast doubt upon the guarantees heretofore given. Why should we say that this parliament has not the power to do as it pleases with respect to guarantees?

Mr. CAHAN: No one ever questioned it before.

Mr. BENNETT: It has never been questioned before; why should it now be questioned? Why should anyone say that we require a further grant of power from Westminster to enable us to guarantee the interest, the principal or the sinking fund of any provincial issue? I confess that I was amazed when I read that, and I put it to the minister: Does anyone suggest that this parliament has not that power now? That is the reason, sir, why I took the trouble to read, as the foundation for what I am saying to-night, the references as to the powers of this parliament. Westminster can confer upon us no powers we do not now possess. As was said by the lord chancellor of that day, there are no powers having to do with self-government that can be conferred upon the parliament of Canada that it does not now possess. Then why go and ask Westminster to grant us powers which, as a matter of fact, we already possess? Why should we ask, by a petition, for something in regard to which the learned lawyers either in the Commons or the Lords will say, "Why are we doing this? They already have the power." The answer will be, "Because they have asked for it." Is that sound? I submit that it is not.

Now let us go a step further, and I am pointing out these matters only briefly. The very provisions of that section weaken the position of Canada in the money markets of the world, because it calls in question the exercise of this power during all the years we have been exercising it. Every thoughtful

man must see that if we are going to deal with this matter at all we are going to raise a question as to the validity of our previous acts, what we have done in the way of guarantees and similar matters in the past. We have asked for a specific grant of power to deal with provinces when we have exercised this power without question with respect to every other body. What will be the result? Someone is going to ask: Why has the parliament of Canada thus blown upon its own credit? Why have we thus raised a question which has never been raised before, which everyone has accepted, and which even a layman who has followed what I said in the early part of my address this evening, as to the foundation upon which this constitution of ours was granted, will realize was wholly within our competence and power? If it is to be done at all then, for the reasons given by the minister this afternoon, at least it should be made retroactive to cover every power heretofore granted. Who has thrown doubt upon it? Have the law officers suggested that there was any doubt about it? I confess that I have never heard any question about it in times past. I know that if we go through the statute books we shall find that these guarantees have been given with respect to a very large number of transactions, notably in connection with transportation, sometimes with respect to interest only and sometimes with respect to principal and interest.

Mr. DUNNING: Not with respect to provincial bonds.

Mr. BENNETT: Not with respect to provincial bonds, but they do not stand in any different position. We assumed obligations by statute, for instance, when we took over the harbour of Saint John, for the payment of the bonds of that harbour. We have taken over provincial guarantees in connection with railways, without any statutory power.

Mr. DUNNING: We are merely paying them; the provincial guarantees still exist.

Mr. BENNETT: But without any statutory provision with regard to them, thus releasing the provinces of their debts. That was so in regard to British Columbia, which unfortunately had not a guarantee in the same terms as some of the others. We are paying that; we are paying the guarantees of Alberta and Saskatchewan. Then, in connection with Manitoba, though I have not thought of looking the matter up, in regard to the railway transactions of that province, the old Northern Pacific and matters of that kind, somewhere Manitoba is involved in guarantees, and legislation was passed here the exact terms of which I do not carry in my mind at the moment, because it was very much involved. But this I do say: Let us get down to fundamentals. Why should there be any provision such as this when the law clearly provides that which it is sought to obtain?

Mr. FINN: I do not want to interrupt the right hon. gentleman—

Mr. BENNETT: I assure the hon. gentleman that he does not.

Mr. FINN: I only want to know where the right hon. gentleman gets his authority for that statement.

Mr. SPEAKER: Eleven o'clock.

On motion of Mr. Bennett the debate was adjourned.

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



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## Friday, May 15, 1936

The house met at three o'clock.

### VACANCY

Mr. SPEAKER: I have the honour to inform the house that I have received a communication from two members notifying me that the following vacancy has occurred in the representation, viz.: of D'Arcy Britton Plunkett, Esquire, member for the electoral district of Victoria, B.C., by decease.

I accordingly issued my warrant to the chief electoral officer to make out a new writ of election for the said electoral district.

### BUSINESS OF THE HOUSE

#### ASCENSION DAY AND VICTORIA DAY ADJOURNMENTS

On the order for motions:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I have given notice of a motion for Monday with reference to adjournment of the house over Ascension day and the Monday following, Victoria day. It might be well for me to say a word at this moment as to the view of the government in the matter. We are anxious to suit the convenience and further the wishes of hon. members. The motion is to the effect that the house adjourn over Ascension day and also over the Monday following, Victoria day, but if it should appear after consultation between the whips that it is the wish of hon. members that the house should sit on either of those days, or on both, so far as the government is

concerned we shall be glad to be governed accordingly. I have been speaking to the assistant government whip and he informs me, after some consultation with members of the house on all sides that it would appear as though the general wish were to adjourn over each of these days, but if the general desire should be to the contrary the government will be glad in the interim between now and Monday to consider any other view.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, I think the opportunity afforded by allowing the motion to stand until Monday will enable us to ascertain what action is most convenient having regard to all the circumstances, and I shall communicate with the right hon. gentleman accordingly.

## PENITENTIARIES COMMISSION

On the orders of the day:

Miss AGNES C. MACPHAIL (Grey-Bruce): Mr. Speaker, may I ask the Minister of Justice (Mr. Lapointe) when he expects to be able to name the commissioner on the royal commission for the investigation of penitentiaries to fill the vacancy caused by the deeply regretted death of Harry W. Anderson?

Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, the new appointment will be made at as early a day as possible, and that means pretty soon.

## BRITISH NORTH AMERICA ACT

### PROPOSED AMENDMENT RELATING TO TAXATION AND GUARANTEE OF PROVINCIAL DEBTS

The house resumed from Thursday, May 14, consideration of the motion of the Minister of Justice (Mr. Lapointe) for an address to His Majesty the King praying that a measure be submitted to the parliament of Great Britain and Ireland to amend the British North America Act with respect to taxation and guarantee of provincial debts.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, when we rose yesterday I was pointing out to the house that there was no necessity for having any legislation passed by the imperial parliament with respect to the second branch of this resolution. I need hardly point out that section 2 of the resolution contemplates the parliament of Canada passing an act to guarantee the payment of principal and interest and sinking fund of securities of the various provinces which may desire to have this action taken after arrangement with the federal power.

Yesterday it was suggested that we had never guaranteed the securities of provinces. On the contrary, under the provisions of the Relief Act enacted by this parliament, the government in the exercise of the power thus conferred upon it has given guarantees with respect to provincial obligations, the legality of which has never been questioned, nor has it ever been called in question by anybody representing the banks or others. I do not think I need do more than point out that when this parliament has enacted legislation empowering the executive to guarantee the securities of the province, that action has always been taken without question as to either its legality or its validity. Therefore the first paragraph of the second part of the resolution is wholly unnecessary and not at all required for our purposes. I could go into the matter in greater detail but I do not think it is necessary as it is so axiomatic. I do not think any counsel would for one moment suggest that this parliament has not the power to give any guarantee that in its wisdom it may deem it desirable to give.

The next paragraph reads:

> The legislature of any province of Canada may, with reference to the principal, interest and sinking fund of securities which the province may from time to time make or issue, authorize the government of the said province to enter into an arrangement with the government of Canada whereby the government of Canada shall guarantee the payment of the principal, interest and sinking fund of such securities.

That requires no legislation. That power now exists and is as complete and amply possessed by every province of this confederation as was possible for the imperial parliament in the plenitude of its powers to confer. Therefore that section is wholly unnecessary.

We come now to the fourth paragraph, which reads:

> (1) For the purpose of securing Canada against loss resulting from the giving of a guarantee under the authority of this act, the government of Canada, whenever in its opinion any default has occurred in respect of any payment on account of principal, interest or sinking fund of the guaranteed securities, may:
>
> (a) withhold any payment to the province on account of any grant payable by the government of Canada to the province for its local purposes or for the support of its government and legislature or on account of interest in respect of its public debt or in lieu of public lands or on any other account whatsoever;
>
> (b) effect payment in whole or in part of any such grant by payment direct to a creditor of the province of any amount owing to such creditor on account of the guaranteed securities. In this and the next succeeding paragraph "creditor" shall include a trustee of a sinking fund;

(c) out of any revenue received or collected by the government of Canada or any department or officer thereof for or on behalf of the province, make payment direct to a creditor of the province of any amount owing to such creditor on account of the guaranteed securities.

I need hardly point out that we have done that quite frequently. We paid the obligations of the Montreal harbour board direct to the holders of the coupons under an arrangement with the commissioners. We have paid and are continuing to pay sums in respect of the guarantees given by the provinces of Alberta, Saskatchewan, British Columbia and Manitoba to the railways. We are to-day meeting the guarantees given by the province of Nova Scotia to the Halifax and Southwestern Railway, which if paid by the province would result in its practical bankruptcy. We have paid all these sums. Therefore, so far as this matter is concerned, it requires no legislation on the part of the imperial parliament to authorize us to do so.

Let us proceed. The next and only question is whether or not this paragraph is competent for us to withhold from a province the payment of moneys which under various statutes it is entitled to receive, in the event of its making default in the payment of its guarantee or its obligation under an agreement made between the dominion and the province. In my judgment there is no doubt as to that power. I desire only to point out, first, that when the dominion has undertaken to guarantee the securities of a province, in pursuance of competent legislation, the province then enacts such legislation as it may think necessary for the purpose of enabling an agreement to be arrived at between the dominion and the province.

Last evening I read certain extracts to this house—I regret having had to take up so much time in doing so—to show that the province was an entity clothed with all the powers that the imperial parliament in the plenitude of its powers could confer upon it. It is the right of a province to borrow; it is one of the incidents of its being thus created. True, the power to borrow is set out in terms in the statute; but it is one of the implied powers that arises by reason of the creation of the entity called a province. Therefore, inasmuch as the power to borrow is incidental to these powers—it was pointed out in the harbour commissioners case—

Mr. DUNNING: It is expressed as a power in the British North America Act.

[Mr. Bennett.]

Mr. BENNETT: Surely, but I say it is part of the incidental power that arises in the creation of the entity; it is part of the powers that could be exercised by such an entity as a province. The province can do anything within the provisions of section 92, that is, within its legal competence. Every power thus granted may be exercised in any manner—that is within the discretion of the legislatures of the provinces. This discretion is exercised in various ways. At times provinces exercise their discretion in certain, and what are thought to be undesirable, ways. For instance, the legislature of one province may repudiate a contract which the legislature of another province would not think it desirable so to deal with. The legislature of one province may declare for publicly owned utilities, which another province may think undesirable, and so on in connection with all these matters.

So far as the borrowing of money is concerned, it is one of the powers given to the province under section 92, and one of the powers given to the dominion under section 91. Whether it be the dominion or the province, in the exercise of these powers they may make such arrangements as they think desirable in the interests of their respective communities. That is, the dominion may make any agreement it thinks desirable, and the province may make any agreement it thinks desirable, the governments of the day being chargeable with responsibility as to what they consider to be the best interests of their respective communities.

If one will observe the language of paragraph 4 of this resolution and then read the words of the judicial committee to which I referred yesterday, he will realize that all the power that is sought under section 4 now exists except with respect to possibly one matter, to which I now purpose to address myself. Has the province through its legislature the power to agree that sums of money payable to it by the dominion may be withheld for the purpose of satisfying debts due by the province to the dominion under an arrangement that may be arrived at? My answer is in the affirmative. At first I had some doubt about it, but if you look at section 118 of the British North America Act you will find these words:

The following sums shall be paid yearly by Canada to the several provinces for the support of their governments and legislatures:

| | |
|---|---|
| Ontario | $80,000 |
| Quebec | 70,000 |
| Nova Scotia | 60,000 |
| New Brunswick | 50,000 |

Two hundred and sixty thousand; and an annual grant in aid of each province shall be made, equal to eighty cents per head of the population as ascertained by the census of one thousand eight hundred and sixty-one, and in the case of Nova Scotia and New Brunswick, by each subsequent decennial census until the population of each of those two provinces amounts to four hundred thousand souls, at which rate such grant shall thereafter remain. Such grants shall be in full settlement of all future demands on Canada, and shall be paid half-yearly in advance to each province; but the government of Canada shall deduct from such grants, as against any province, all sums chargeable as interest on the public debt of that province in excess of the several amounts stipulated in this act.

That is, with respect to guarantees that have been given and amounts that have been lent by the dominion to the provinces, even during recent years, we have the right to deduct from the sums which we have obligated ourselves to pay, the amount that may be necessary for the purpose of the payment of the interest that is due in excess of the sums mentioned in the statute. That does not arise at the moment. The sole question is whether or not there is such power in the provincial legislature as will enable that legislature to authorize an agreement to be made with respect to the portion of its revenues derived from the federal power so that they may be utilized for the purpose of discharging the debts and obligations of the province to the central authority or power. In the very nature of things it seems to me that that is elementary. Why? Because this parliament has authorized the payments that are being made under the British North America Act. In the opinion of some, and it is an opinion that does prevail in some quarters, there should be an imperial statute. Subsidies were in a sense sacred as distinguished from other forms of payments which might be made, and could not be retained or dealt with by the federal power. The answer is this, that section 118 of that statute as it stood in 1867 has been entirely modified and amended so that we have paid increasing sums, to which I shall presently refer, to all the provinces. And as those moneys are voted by this parliament to a province and the province receives them as part of its revenue, it follows that if the legislature of a province authorizes the dominion to withhold a portion of that money for the purpose of interest or sinking fund, the payment of principal or otherwise that may be due by the province to the dominion, there can be no question as to the validity of such action.

Mr. DUNNING: Has the right hon. gentleman considered it in the light of sections 113, 114 and 115, respectively?

Mr. BENNETT: Yes, surely. The sections referred to are as follows:

113. The assets enumerated in the fourth schedule to this act belonging at the union to the province of Canada shall be the property of Ontario and Quebec conjointly.

114. Nova Scotia shall be liable to Canada for the amount (if any) by which its public debt exceeds at the union eight million dollars, and shall be charged with interest at the rate of five per centum per annum thereon.

115. New Brunswick shall be liable to Canada for the amount (if any) by which its public debt exceeds at the union seven million dollars, and shall be charged with interest at the rate of five per centum per annum thereon.

That has been modified; the whole financial position has been changed. The right of the provinces, for instance, to receive part of the money in the possession of the federal government in trust has been made abundantly clear, and they have absolutely taken from the public exchequer, under the terms and conditions of the statute in that behalf, sums of money that were receiving interest from the dominion, and which provided a portion of their revenues until they were expended for purposes mentioned in the act.

It will be recalled that we had one case of that kind not many years ago. During his premiership of New Brunswick, the late Mr. Blair thought it desirable to use money to greater advantage than leaving it on interest with the federal government, and he withdrew portions for the purpose of increasing the revenues of the province and enabling certain public undertakings to be proceeded with. If there were any doubts about the matter it would seem to me that it could easily be resolved by making a simple test.

This parliament had control of the money that it voted to the provinces; the British North America Act had nothing to do with that. It was done by act of this parliament. It was not under the British North America Act, but by arrangement made between the provinces and the dominion. And I shall presently show that during recent years certain steps were taken in connection with the western provinces that indicated an entire departure from the principle of finance which governed in days gone by.

Leaving that for the moment, it must be apparent even to laymen that it would be a very peculiar thing if the provinces and the dominion could not make arrangements without getting further power from Westminster to provide that the provinces and the dominion may arrive at an arrangement by which the money due to the one shall not be paid if that one owes money to the dominion. That is the whole story. There cannot be anything more to it than that.

Mr. THORSON: Has the right hon. gentleman given consideration to the words used in section 118, respecting the provincial legislatures, and the question whether these words might not constitute a trust binding both upon the dominion and upon the provinces?

Mr. BENNETT: I certainly can answer that question. Section 118 states:

The following sums shall be paid yearly by Canada to the several provinces for the support of their governments and legislatures.

That money becomes subject to the appropriations of the legislatures of the provinces—by statute; the supply bill. Therefore if a legislature in the exercise of its discretion indicates that for that province and for that legislature it is desirable to secure a dominion guarantee, and that the moneys made available shall be utilized for the purpose of making good obligations created, they have it within their power. These moneys enter into general revenue funds and become subject to the appropriation bill, the supply bill, such as you see from year to year in the statutes of the various provinces.

Mr. THORSON: But the question which occurred to me was whether those moneys might not first have to go to the provincial legislatures and governments.

Mr. BENNETT: I remember that point being raised on one occasion. Is not the answer to it, and is it not a fairly conclusive one, that if the legislatures deal with the money as being in their hands, by antecedent action of the legislature, that answers the question? I quite agree with what the hon. member has said, namely, that you might say that a legislature must have supreme and complete control over the subsidy money, but that power is complete if the legislature acts upon the matter in the way I suggest. In other words, if the statute is passed by the legislature by which it provides that moneys that are under its control shall be utilized for a given purpose, then it has constitutionally exercised its powers.

Mr. DUNNING: Even on a future occasion?

Mr. BENNETT: Yes, certainly. Obviously the power can be exercised antecedently to the time when the money has actually been placed there. The reason is this—

Mr. THORSON: There may be serious doubt.

Mr. BENNETT: There may be doubt about it, but this resolution is not drawn on that basis, and in my own judgment I certainly would have no difficulty in arguing as to the validity of any action which might be taken as to an agreement supported by statute of any province in this dominion and that of the parliament of Canada, in the first instance. And I do not think any person would seriously question it if they took time to investigate the whole matter from its fundamental foundation, onward. Why? Because section 118, in its terms says that this is a complete settlement. But it was not a complete settlement; it has not been. There have been changes from year to year; there have been increased subsidies. Who varied that settlement? This parliament varied it, by arrangement with the provinces. Having made arrangements or agreements with the various provinces, this parliament took action to increase the sums of money provided for in section 118.

Mr. DUNNING: Always by reference to the imperial parliament.

Mr. BENNETT: I will come to that; I am perfectly familiar with that phase of the matter. The late Sir Richard McBride went over to argue before the imperial parliament that such arrangements should not be final, and the imperial parliament said that the statute came from the Dominion of Canada, and coming from the Dominion of Canada it must be taken that they were exercising their power of amending our statute, pursuant to the request it had received. It will be recalled that that involved an increase of subsidy.

But there has been no ratification by the imperial parliament. There was no ratification in the sense that it was required. If hon. members will read the debates of that time and the words of Sir Wilfrid Laurier made at the time these increases were being granted, he dealt with them as being finally—

Mr. MACKENZIE (Vancouver): The words are "finally and unalterably."

Mr. BENNETT: The word "unalterably" had escaped me, but no doubt "finally and unalterably" are the words. It was those words Sir Richard McBride protested against. The point I wish to make is that successive governments of this country have endeavoured to secure finality and unalterability by taking that method. But so far as we are concerned, does anyone suggest that we require an amendment from Westminster to enable the legislature of the province of Alberta to make provision as to what it shall do with its moneys, to make an agreement as to the application of the revenues it derives? Does any one suggest for a moment that this parliament requires additional powers from West-

minster to enable us to guarantee securities of the province of Alberta? Can that be suggested? I think not. The very discussion that is now taking place indicates that this resolution should have been drawn in different terms. If it is to quiet doubts, one can understand it, but if it is a claim that the power does not exist, I am opposed to it. This parliament has the power, upon the broad general principles that in recent years have governed the construction of the British North America Act, to guarantee anything that it desires to guarantee as far as payment of money is concerned; and the legislature of each province has supreme and complete control over its own revenues. To say less is to indicate that the legislatures are subordinate to some body; and how can they be subordinate when the privy council has declared that each legislature is supreme within its jurisdiction, and has all the powers that the imperial parliament in the plenitude of its power can confer upon it? In other words, in the language of the Lord Chancellor which I read yesterday, they have exhausted the grant of their powers; they have given everything that can be given. If the purpose is to quiet doubts, I can understand it, but to ask for fresh powers is to imply that the province of Quebec, the province of Ontario, and the other provinces of this confederation have not been clothed with all the power that the imperial parliament can confer upon them. But the privy council, the court of last resort, has made it abundantly clear that the imperial parliament has conferred upon the legislature of every province of Canada all the powers it possessed with respect to such matters.

Further, it must be abundantly clear that there is no such thing in this regard as subordination to any parliament. This parliament is not subordinate to the imperial parliament, nor is the legislature of any province subordinate to this or any other parliament. That point was dealt with in these words by the privy council:

> Their lordships do not think it necessary to examine, in minute detail, the provisions of the act of 1867, which nowhere profess to curtail in any respect the rights and privileges of the crown, or to disturb the relations then subsisting between the sovereign and the provinces. The object of the act was neither to weld the provinces into one, nor to subordinate provincial governments to a central authority, but to create a federal government in which they should all be represented, entrusted with the exclusive administration of affairs in which they had a common interest, each province retaining its independence and autonomy. That object was accomplished by distributing, between the dominion and the provinces, all powers executive and legislative, and all public property and revenues which had previously belonged to the provinces; so that the dominion government should be vested with such of these powers, property, and revenues as were necessary for the due performance of its constitutional functions, and that the remainder should be retained by the provinces for the purposes of provincial government. But, in so far as regards those matters which, by section 92, are specially reserved for provincial legislation, the legislation of each province continues to be free from the control of the dominion, and as supreme as it was before the passing of the act.

The statement I have just read arose out of a case in which a province claimed priority in the right of the crown in winding up proceedings, and did so successfully. Likewise in the case which involved the granting of a patent for what was then queen's counsel. These cases established that within the ambit of the powers conferred upon it by section 92, the province is as supreme an entity as this dominion is, which possesses all the powers that it is possible for a self-governing country to possess. The construction placed upon section 92 makes it abundantly clear that the imperial parliament has conferred all the powers within its jurisdiction or power to confer.

Mr. THORSON: I do not wish to interrupt—

Mr. BENNETT: It is quite all right. As a matter of fact I should rather welcome it.

Mr. THORSON: Before the right hon. gentleman proceeds to his next point, may there not be some doubt as to the power of a province to divest itself by agreement of its constitutional right to receive money? A province cannot delegate its powers. Can it divest itself of such constitutional rights as it possesses?

Mr. BENNETT: One expression the hon. gentleman has just used, "the province cannot delegate," is not quite accurate. Delegatus non potest delegare does not apply with respect to a province, because—

Mr. THORSON: I meant the constitutional power of legislating.

Mr. BENNETT: The creation of municipal institutions implies a delegation of powers, looking at it from one angle, but the privy council has said that that is not a delegation in the sense in which that word is normally used. My hon. friend from Selkirk (Mr. Thorson) and myself will be in agreement that it is not competent for a province to divest itself of its constitutional powers—if that is what he means. For instance, that was settled in the referendum case from

Manitoba, in which it was held that you could not, by the initiative and referendum, enact legislation in which only the legislature and the people had to do, without the intervention of the crown, because it was not legislation within the purview of section 92.

Mr. THORSON: I was not referring to that point.

Mr. BENNETT: No, but that illustrates the point that it cannot divest itself of its legislative authority. The initiative and referendum case made it perfectly clear that a province could not divest itself of its legislative authority in the manner that it was there sought to do.

Mr. CAHAN: But it can exercise its legislative authority.

Mr. BENNETT: Exactly, it can exercise its legislative authority.

Mr. LAPOINTE (Quebec East): That is a very different question.

Mr. BENNETT: I wish to answer the point raised by my hon. friend from Selkirk (Mr. Thorson), because it is one of some importance. The legislature in the exercise of its powers is not subject to the control of this parliament or the judges of the country; it is subject only to the control of the people. That has been declared so often as not to require restatement. Recently, in a leading case, the court said, "It is not for us to say whether or not the legislature has been wise or unwise. We are here to determine a pure question of law, and the question of law is whether or not there is jurisdiction to exercise the power." That is the general principle, I think, which governs. In the exercise of that power the legislature of Alberta, if it were in session to-day, might authorize the executive to enter into an agreement with the government of Canada for the purpose of guaranteeing its bonds. That is obvious. I think no lawyer would question that it could enter into that agreement—my hon. friend nods his head—with the Dominion of Canada whereby the dominion would guarantee the bonds of the province of Alberta. The next step in the proceedings is this: Is it competent for that legislature at the same time to provide that, for the purpose of securing the dominion against loss by reason of the guarantee, it shall have a first charge, lien or claim against any moneys due, present or future, by the Dominion of Canada to that province? That is the question at issue. My hon. friend says that there may be some doubt about that, as it is a matter that has not been determined by the courts. I would not be prepared to say that there is no doubt about every question. There once stood in this house a solicitor general who boasted that the decisions of the courts amply warranted an opinion which he gave, that the decisions were all in favour of the attitude which he had taken. Within a few weeks afterwards the privy council spoke, and decided adversely to the view he had expressed. That was the case of the Calgary and Edmonton mineral rights.



Mr. LAPOINTE (Quebec East): It may happen again.

Mr. BENNETT: That is what I am saying; it may happen any time you are dealing with problems of that kind. But it is one thing to remove doubts; it is another question to declare, in terms such as are used here, that the power does not exist. I protest against the provinces being thus treated. I protest against this parliament being thus treated. For surely it does not require a parliament at Westminster to pass a statute to confer upon this parliament the jurisdiction to deal with its own revenues, nor does it require any legislation to enable a province, having had conferred upon it the powers I mentioned yesterday, to enter into an agreement with respect to its own bonds and its own securities. It might well be that there is doubt as to how far that would arise with respect to moneys that were covered by the original act, but not the subsequent acts, as I shall presently point out, because with respect to subsequent acts you have an entirely different set of considerations. You have confederation an accomplished fact; you have the dominion voting, through its representatives, that certain moneys collected from the people shall be utilized as the legislature of a province may think desirable or necessary. If they see fit to deal with those moneys in that way, that is all that can be said about it. There is no doubt, I submit, as to the powers existing with respect to all moneys other than those covered by original section 118, that is, all subsequent payments, whatever may be said as to section 118, and I leave it at that.

The next section of this resolution provides:

> The legislature of any province may charge the pricipal, interest or sinking fund of the guaranteed securities on any revenue of the province, upon terms that such revenue shall, if the government of Canada so requires, be disbursed exclusively in payment of such principal, interest or sinking fund and may, if the government of Canada so requires, provide for the depositing of all funds from the revenue so charged in a trust account in an bank or banks for the purpose of implementing the said charge.

That means that if the province of Alberta, we will say, desired to do so it could pass a statute providing that all moneys received from royalties on coal and oil and gasoline should be placed in the bank in a special fund and utilized for the purpose of making good any payments that might be payable or had been made by the dominion under its guarantee of provincial securities. That is a contract. If one looks at this provision carefully it merely says:

> The legislature of any province may charge the principal, interest or sinking fund of the guaranteed securities on any revenue of the province—

Does that power not now exist? Can it be successfully denied that it exists? Does anyone seriously question that it does not exist? Let me give an illustration. In Newfoundland they charged the gasoline tax for the purpose of making good the interest on securities, having conferred a monopoly upon an oil company that undertook to lend and did lend them certain moneys. Newfoundland had no larger powers with respect to this matter than has the province, under the decisions of the privy council. The province has supreme and exclusive control over property and civil rights. The province has supreme and complete control over the question of what it shall do with its revenues, unless indeed with respect to school funds where there is the limitation that they must be used for certain specific purposes. But eliminating that, they have freedom of action, and in the exercise of that freedom of action it is now said that they must go to Westminster and secure a statute saying that they may enter into a contract for the purpose of passing a statute that will enable them to charge a given fund with the payment of any moneys that the dominion may have to pay for the purpose of making good its guarantee on any bonds or securities that may have been guaranteed.

I think the mere statement of the proposition completely refutes the necessity for any such legislation. It places the provinces, each of them, in a subordinate position and denies them the powers which over and over again the courts have said they possess, that is, the power to make contracts of any kind, nature, form or description whatsoever, within the ambit of their powers, when once authorized by the legislature. Section 92 certainly would enable them to do anything they pleased with their revenues regardless of whether we thought it wise or unwise. Some of us may have thought that certain expenditures made by provincial legislatures were very unwisely made, yet we have no control over them. Certain provincial legislatures may have thought that expenditures made by us in this parliament were very unwise, yet they have no control over us except to the extent that they may be electors and thus able ultimately to express their opinions through the ballot box. Certainly there is no legal or constitutional authority to which reference can be had which deprives any province of the fullest possible power to make a contract on any terms or conditions it pleases within its jurisdiction.

That is the position I take with respect to this resolution. I do not do that for the purpose of opposing the resolution; I do it for another purpose. I do it for the purpose of trying to assert in my poor way the right of legislatures created under the British North America Act, and of this parliament, not to go to Westminster to seek fresh powers when powers already exist, for I believe the language used by the privy council in connection with our constitution makes it abundantly clear that there is nothing that could be done by that parliament that has not been done to clothe our legislatures with all the powers a province could possess under the constitution, and the dominion with all the powers a free nation could possess, subject of course to the question of our amending our own constitution and dealing with the rights of the crown.

The last paragraph deals only with the title to be given to the statute. Now I think I have concluded all I desire to say with respect to these various branches of the case. May I say to my learned friend the Minister of Justice (Mr. Lapointe) that I direct my arguments to him not as a partisan or as a political opponent but as a student of the constitution, and not a very close student now, for I have not the time to follow it with the care I once did. I speak, however, as one who has, as I believe the minister has, a realization that we must not seem to be clothed with less powers than we have. To admit that is to deny for the future—a position which I think would be something undesirable—that the provinces possess all the powers that the imperial parliament, in the plenitude of its powers, could confer upon them and that this dominion parliament has all the powers that any nation could have, with the limitations that I have mentioned.

Now let me go one step further. Yesterday the minister made some reference to observations that had been made by the late Sir Wilfrid Laurier with respect to the financial relations between the provinces and the dominion. No question has more closely engaged the attention of students of our constitution than that, and it will be remembered

that the hon. member for Winnipeg North Centre (Mr. Woodsworth) made some observations with respect to the attitude of the Minister of Labour (Mr. Rogers) regarding these matters. In a very excellent paper contributed to the Canadian Forum of December, 1934, the Minister of Labour dealt with the situation. Even the most backward school boy knows that a fundamental tenet of British government is that it calls for drastic revision. The minister said:

> Subsidy readjustments of past years have revealed a lamentable lack of allegiance to principle and a deposition to reach short term solutions under the pressure of political expediency. As a result of the haphazard methods of previous settlements the financial relationships of the Canadian federation have reached a condition of chronic instability. This has made for misunderstanding and friction in a field of government where the desideratum is harmony and cooperation.

This quotation is important, because it represents the considered judgment of a student of the situation as it has heretofore existed. The late Sir Wilfrid Laurier pointed out that it is a general axiom of government that those responsible for spending money should be responsible also for raising it, a view which is as old as the very first discussions that took place in connection with democratic institutions. But the British North America Act was founded upon the assumption that subsidies were to be paid to the provinces. The reason is obvious; the provinces gave up their rights of indirect taxation. The provinces of Nova Scotia, New Brunswick, Ontario and Quebec gave up the right to raise revenues by customs duties and excise taxes and other methods, in connection with post offices and matters of the kind, and in giving these up they stipulated for subsidies in lieu thereof. Hence was introduced into our constitutional statute a provision that the provinces were to receive subsidies. Now, the word "subsidy" is offensive to many minds. It is associated with ventures in past centuries by which it came to be a word of ill omen. Having once determined that we were to have subsidies, all the resultant evils to which Sir Wilfrid Laurier and the Minister of Labour referred at once followed. There has been a constant effort ever since to increase the subsidies payable by the central power to the provinces for their purposes. Therefore I do not think it serves any useful purpose to deprecate the action involved in the payment of subsidies. We commenced housekeeping with them in 1867 and have continued with them ever since. The only question is whether or not some arrangement can be arrived at which will place them upon a more scientific basis than that which now prevails. The late Sir George Foster suggested that the difficulty could be met by paying a fixed percentage of the customs revenues to each of the provinces in terms of their population. Many of the provinces were greatly in favour of such a scheme; others were not. It will be recalled that we made a special grant to the province of Prince Edward Island because of its geographical position and its relation to confederation, and only last year, for reasons which I shall presently point out, we made a special grant to British Columbia; for one had only to compare the amount received by that province from the dominion with the amounts payable to the other three western provinces to realize that even the $750,000 paid did not put them on a basis of equality.

But I am going to point out to the Minister of Justice three matters that are not to be lightly overlooked when he discusses a question of this kind. In 1905 we created two provinces in western Canada, Alberta and Saskatchewan. At that time the public domain was in the possession of the crown in the right of the dominion. After providing for subsidies to these new provinces, section 20 of the Alberta Act—and a similar section is found in the Saskatchewan Act—provided:

> Inasmuch as the said province will not have the public land as a source of revenue, there shall be paid by Canada to the province by half-yearly payments, in advance, an annual sum based upon the population of the province as from time to time ascertained by the quinquennial census thereof, as follows:—
>
> The population of the said province being assumed to be at present two hundred and fifty thousand, the sum payable until such population reaches four hundred thousand, shall be $375,000;
>
> Thereafter, until such population reaches eight hundred thousand, the sum payable shall be $562,500;
>
> Thereafter, until such population reaches one million two hundred thousand, the sum payable shall be $750,000;
>
> And thereafter, the sum payable shall be $1,125,000.
>
> 2. As an additional allowance in lieu of public lands, there shall be paid by Canada to the province annually by half-yearly payments, in advance, for five years from the time this act comes into force, to provide for the construction of necessary public buildings, the sum of $93,750.

The Saskatchewan Act is in the same terms except as to the amounts payable. Remember that in 1905, when these provinces came into being, they had no public lands, and it was provided by statute that we should pay them annually a sum rising to $1,125,000 in lieu of lands. But in 1930, just before an election the government of that day, much

to the surprise of everyone agreed not only to give them the public lands but to continue to make the payments to them which were granted in lieu of such lands. Of course that in itself created a situation of unfairness to the other provinces, unfairness to Manitoba, unfairness to British Columbia. And in chapter 41 of the statutes of 1930 it is provided by section 21:

In lieu of the provision made by subsection 1 of section 20 of the Saskatchewan Act, Canada will, from and after the date of the coming into force of this agreement, pay to the province by half-yearly payments in advance, on the first days of January and July in each year, an annual sum based upon the population of the province as from time to time ascertained by the quinquennial census thereof, as follows:

The sum payable until such population reaches one million two hundred thousand shall be $750,000;

And thereafter the sum payable shall be $1,125,000.

So that by reason of the action then taken they received not only their public domain but also the subsidy that in 1905 was provided for them in lieu of land. Some of us who did not profess the same political faith as hon. gentlemen opposite ventured to point out what would inevitably result. But I can recall that in 1905 it was pointed out how much better it was to have the money than the land. I remember these cries, and some of us stated that the time would come when the very party which made that arrangement with those provinces would have to agree that they must have their public lands—very few ever expected to get both lands and money. They received their lands in 1930, and then were given the money as well.

Mr. DUNNING: No.

Mr. BENNETT: Does my hon. friend deny it? Did not my hon. friend say the subsidy is not to be changed?

Mr. DUNNING: Not at all.

Mr. BENNETT: Then all I can say is I will read it again.

Mr. DUNNING: There is no need to; I know it very well.

Mr. TUCKER: The lands were already substantially alienated before the province got them back.

Mr. BENNETT: Not at all. I read the provisions of section 20. Let us have no doubt about that phase of it. I took Alberta in the former case; this is the statute with respect to Saskatchewan. There is a little difference in some respects, but not in article 21 of the agreement.

Mr. DUNNING: If my right hon. friend will permit—

Mr. BENNETT: Yes.

Mr. DUNNING: My point of disagreement was with the statement that the provinces received both the land and the subsidy.

Mr. BENNETT: They did, undoubtedly.

Mr. DUNNING: My right hon. friend had a royal commission to find how much more money they ought to get in lieu of lands already disposed of.

Mr. BENNETT: Is not that amazing! Does not the hon. gentleman know it was his government that provided that? Does he not know that I had to set up the commission because he agreed to it? One of the most infamous things ever done in the history of parliament, for purely political purposes.

Mr. LAPOINTE (Quebec East): What has this to do with the resolution?

Mr. DUNNING: My right hon. friend's own commission said they ought to get more money.

Mr. BENNETT: But wait until I read the terms of the agreement.

Mr. LAPOINTE (Quebec East): Let us get back to the resolution.

Mr. BENNETT: Quite right. I would not have dealt with this but for the speech made by my hon. friend yesterday about subsidies.

Mr. LAPOINTE (Quebec East): My three minutes on it did not invite my right hon friend's long speech.

Mr. BENNETT: A pinprick may involve death, and my hon. friend's three minutes may necessitate dealing with a matter in its entirety. Let us see what the agreement was.

I have pointed out that they received not only the lands but the subsidy as well. Then section 23 of the agreement provides that certain questions shall be submitted to the supreme court. They went to the privy council and were answered adversely to the contention of Saskatchewan. Then, mark this:

As soon as final answers to the questions submitted under the last preceding paragraph have been given, the government of Canada will appoint three persons to be agreed upon to be commissioners under part I of the Inquiries Act, to inquire and report whether any, and if any, what consideration, in addition to the sums provided in paragraph twenty-one hereof, shall be paid to the province in order that the province may be placed in a position of equality with the other provinces of confederation with respect to the administration and control of its natural resources either as from the first day of September, 1905, or as from such earlier date,

if any, as may appear to be proper, having regard to the answers to the questions submitted as aforesaid; such commissioners to be empowered to decide what financial or other considerations are relevant to the inquiry and the report to be submitted to the parliament of Canada and to the legislature of Saskatchewan; if by the said report, the payment of any additional consideration is recommended, then, upon agreement between the governments of Canada and of the province following the submission of such report, the said governments will respectively introduce the legislation necessary to give effect to such agreement.

In pursuance of that agreement made by the government led by the now Prime Minister, and of which the present Minister of Finance was then Minister of Finance—

Mr. DUNNING: And which you described as infamous.

Mr. BENNETT: I certainly said that not only did they get the lands themselves—

Mr. DUNNING: No.

Mr. BENNETT: They did get the lands under the agreement.

Mr. DUNNING: The lands were gone, alienated.

Mr. BENNETT: They were not any more alienated in 1930 than in 1905, except to the extent that compensation was provided for them. That is the whole point. In 1905 they agreed to take in lieu of lands the sum mentioned in the two acts I have read. In 1930 they agreed to take back their lands, and the government agreed to leave them with the subsidy they got in lieu of lands. It was not that they were without lands, but that they are going to continue to be. The hon. gentleman has not read it. They were to get this money, and they got it in lieu of not taking lands as a source of revenue. Then comes the agreement giving them the lands that were left, and giving them money which they got in lieu of the lands which then they did not have; they were to be compensated for the lands alienated from 1905 to 1930—or 1930 odd, whatever date it was—and they got the sum which was awarded to them by the commissioners. Manitoba got $4,000,000 odd, and it was referred to by the right hon. gentleman at the opening of the campaign in the west. He pointed out that a cheque had been delivered to the province of Manitoba for the sum of $4,000,000 under an arbitration, of which arbitration board the Minister of the Interior was a member. That is the position, and because Manitoba got the $4,000,000—

Mr. DUNNING: He did not promise it in the election.

[Mr. Bennett.]

Mr. BENNETT: What he did was to say that the cheque had been paid—

Mr. DUNNING: That is right; it had.

Mr. BENNETT: —under the agreement that had been entered into a few weeks before for the purpose of determining what Manitoba should receive, and when Maintoba received that money Saskatchewan and Alberta claimed to be put on an equality with the other provinces of confederation. In pursuance of that agreement the award was made to which the Minister of Finance refers. I quote that in view of what the Minister of Labour said in his article in 1934, not then I suppose expecting to be a colleague of the minister. He said:

Subsidy readjustments of past years have revealed a lamentable lack of allegiance to principle and a disposition to reach short term solutions under the pressure of political expediency.

Those were the words of the Minister of Labour with respect to these very transactions. That was what he was dealing with; they were the only ones that had taken place. That is what he said in 1934, only a year and a half ago.

Mr. DUNNING: In 1934?

Mr. BENNETT: That is what he said in December, 1934.

Mr. DUNNING: He might have meant something else.

Mr. BENNETT: No; they were the only transactions that had taken place with respect to the provinces. The hon. gentleman can smile, but that does not get away from the essential facts, nor will cynicism advance public finance. It will not make for public finance being dealt with as it should be. Those are the words of one of the minister's present colleagues with respect to the only subsidy transactions that had taken place between the provinces and the dominion between the years 1921 and 1934.

I mention this because the Minister of Justice yesterday seemed to indicate that the policy of the great leader of the Liberal party was not to continue to pay subsidies to these provinces in increasing sums. I give these illustrations for the purpose of indicating exactly what has taken place under Liberal governments since, in connection with these subsidies. The only payment for which the late government is responsible was with respect to the increased sum paid to British Columbia, which had to be paid by reason of the circumstances to which I have alluded; for that province found itself in a position

entirely different from that of the other three western provinces, and is still in a position of inequality in connection with payments from the public exchequer. Of that there can be no doubt. I mention that because it has two significances. One is because of what my friend said yesterday, but I mention it for another reason, and it is this: Is it desirable to nibble at this question?

Mr. MACKENZIE KING: What is the view of the great leader of the Tory party?

Mr. BENNETT: The observation of the Prime Minister does not advance it any. He has at least views which are coherent, and will express them; they will be founded upon his appreciation of the difficulties of the situation which confronts us, and questions such as that which he has just asked will not solve any problem connected with public finance. I have the right to express my views and I propose to do it. They may not be acceptable to the government; I regret it if they are not, but that will not deter me from expressing them. I am dealing only with the first branch.

Mr. MACKENZIE KING: The leader of each party has a right to express his views, and I think a like respect is due to the position of each.

Mr. BENNETT: If the right hon. gentleman would just practise that there would be no difficulty at all. I commend him to a reading of his own words, and if he puts them into practice he will find it much easier to get along.

Mr. LAPOINTE (Quebec East): Let us have reciprocity.

Mr. BENNETT: Exactly; that is what I said. One would expect that courteous answer from the Minister of Justice.

I was proceeding with the first branch of the case and pointing out that there are two reasons why I direct attention to these matters. One is that the whole problem of public finance to which the Minister of Labour refers in this article is one of the gravest character and affects this country in a way that he indicates; I commend a reading of that article as indicating the seriousness of the problem. Is it desirable now to take this step as an effort towards a solution of the problem? This step is going to do what? Clothe the province with the power to impose taxation by indirect methods on retail sales, and having regard to our constitutional position to confer such rights with such limitations as may be desirable upon municipalities. Is that a step forward? Does it ease the problem? Can it possibly be a solution of it? Does it in any sense assist us in its ultimate solution? I think not. Differences of opinion may arise as to that. The Minister of Justice may have one opinion, the Minister of Finance may have another, but I do submit that you cannot deal with this problem of public finance and of the relations between the province and the dominion in connection with public finance by simply nibbling at it as we are doing in this resolution. It is not possible to arrive at a solution of the problem by this process. It means that you confer upon the province the right to impose indirect taxation with respect to retail sales, with limitations. That is all. Therefore, I submit that a resolution of this kind is not calculated to assist in a solution of the problem, and that the government, rather than proceeding with this resolution and asking the imperial parliament to pass such legislation should, in the words of the Minister of Labour, institute steps to ascertain just how the problem may be dealt with, if possible, and then proceed to deal with it in a way that will commend itself, not only to a particular class in the community but to the provinces and the dominion as well.

With respect to the second branch of the resolution. I can only repeat that I protest against this assumption of inferiority on the part of either the dominion parliament or the provincial legislatures in asking for a grant of powers when powers are being exercised from day to day and from month to month of the quality and kind for which authority is now being sought. This is not only unsound, but I submit it is quite unfair to the imperial parliament itself. That parliament is bound to enact this legislation, coming from Canada as it does by way of resolution of this parliament, and we put them in a very false position if we ask them to confer powers upon us which we say we do not possess but which we have been using for many years. I think that is a fair statement.

I summarize the position which I submit to the Minister of Justice. I submit it to the Minister of Justice as though he were a judge sitting upon the bench listening to the pleas of counsel and determining in his own judgment how they should be acted upon. I have no purpose to serve save an earnest desire that in dealing with our constitution we should deal with it in accordance with settled precedents. I believe that the difficulty in the framing of this resolution has arisen because of a belief that there was an analogy

between our situation and that of Australia. It does occur to me that whoever was dealing with this forgot that the distribution of legislative powers in Australia is entirely different from the distribution in this dominion. In 1929 the commonwealth was faced with difficulties and it became essential to utilize the collective credit of the people by guaranteeing the securities of the various states. Amendments to the constitution were sought in accordance with the provisions of the Australian constitution. It does occur to me, from looking at what was done there and at the language of this resolution, that it was thought that the action taken in the one instance should be taken in the other. I submit that such is not sound.

May I repeat what I have said already? The position of the provinces and their powers have been clearly defined by judicial decisions. No one will question the power of the dominion to guarantee securities or deal with any problem that lies within our legislative jurisdiction. I submit to the Minister of Justice in all sincerity that the legislation should be clarified so as to remove what I consider to be certain anomalies. I may be putting it too strongly, but I cannot help thinking that if the minister will give the wording of the resolution careful consideration he will realize that it leaves much to be desired. To put a section such as the proposed section 2A in a constitutional document is not in accordance with the best principles of draftsmanship as laid down by Lord Thring, who drafted the British North America Act, or by the draftsman to whom the Prime Minister referred the other day when we were dealing with the preamble of a bill—I believe it was to Sir Courtenay Ilbert.

Second, I believe it is undesirable to extend the taxing powers of the provinces by conferring upon them the right to raise revenue by indirect taxation on retail sales. Under the interpretation of their powers in the later decisions of the privy council, all the power that is necessary to enable them to impose sales taxes and other forms of taxation usual for domestic purposes has been established. Third, the retroactive provisions of the statute should disappear, for to ask the imperial parliament to give validity and legality to acts declared to be invalid and illegal is to dishonour to that extent our conception of what is right and just, especially when we realize that in most countries, notably the United States, they have a constitutional provision that prevents such legislation being enacted.

Four, that part of the resolution dealing with the financial arrangements between the provinces and the dominion because (a) the dominion now possesses all the powers sought to be conferred upon it by imperial statute; (b) because the provinces now possess all the powers necessary to enable them to enter into any agreement or arrangement that may be thought desirable for the purpose of effecting the purposes indicated in the resolution; and (c) in any event the resolution, if it desires to deal with questions of doubt, should be in entirely different terms, even assuming, as the minister may, that there is some doubt with respect to the right to charge or otherwise deal with subsidy moneys payable to the provinces.

I repeat that I protest, so far as it is possible for me to protest as a member, against the assumption that this parliament does not possess all the powers necessary to enable it to deal with every phase of the matter mentioned in the resolution, or that the provinces do not possess all the powers necessary to enable them to deal with every matter sought to be dealt with by the resolution, with the possible exception of the subsidies payable under the provisions of section 118, and with respect to that, to contend that they have not the power to limit the right of the legislature to deal with the revenues of the province in any manner the legislature may so determine. The issue really is whether or not we should seek from the imperial parliament a fresh grant of powers when a grant has already been made as full and as ample as that parliament in the exercise of its plenary powers could grant or confer.

For these reasons I oppose the resolution. I realize, however, how futile it is to raise one's voice in opposition to it. It is one of the misfortunes, perhaps, of a new country that once having adopted a line of action, no government is prepared to admit that by any possibility it has made an error. That being so, it means that the government, with its majority, must impose this resolution upon this house and carry it through to the end. I can only say I believe that with respect to the first part it will not do other than bring many difficulties to the federal government, and with respect to the latter, it raises an issue which I prefer should not have been raised and which I believe in time will recoil against ourselves. For, possessing powers and not exercising them, and seeking a fresh grant of powers when all the powers the parliament at Westminster possesses have been granted, is but to admit a subservience which does not exist and a dominance which has never been exercised.

Hon. CHARLES A. DUNNING (Minister of Finance): Mr. Speaker, I hasten to assure the leader of the opposition (Mr. Bennett) that it would be presumptuous for me, a layman, to enter into the legal and constitutional discussion initiated by him with regard to the resolution. Naturally the government takes its legal advice from the Minister of Justice (Mr. Lapointe) who will, I am sure, in due course deal with the legal and constitutional phases to which my right hon. friend has been referring.

From the purely practical rather than the legal point of view, the resolution does point to certain facts which are inseparable from a federal system of government which has been passing through a testing time such as the last five years. The federal constitution involves a division of taxing powers. That division was made at confederation, and so far as the law is concerned I think I am correct in stating that it has not been altered since. During intervening years the necessities of governments, both federal and provincial, have changed and broadened in many respects. For many years past it was the consistent complaint of the provinces that their basis of taxation was not sufficiently broad to enable them properly to meet the obligations placed upon them by changed conditions, and particularly those obligations in connection with expenditures for social welfare, and activities of that kind.

In the capacity of a provincial minister and later of a provincial premier, I have attended interprovincial conferences as long ago as the years 1916 and 1917, and I do not recollect any conference at which the question of the powers of taxation of the provinces was not to the fore and presented vigorously by provincial representatives. During the past five years it has become more than ever apparent that the provinces have been unable within the ambit of taxation powers allotted to them to raise the sums of money necessary to enable them to carry out the obligations they have assumed towards their people. That condition became apparent, particularly with respect to the four western provinces, to a degree never before known during the period my right hon. friend opposite was Prime Minister. Finding it necessary to meet the situation in some way, his government commenced to do what had never been done before, namely, to loan money to the provinces from the federal treasury. I am not now criticizing the right hon. gentleman, but I am stating the fact as an indication of the condition which has arisen during the difficult years through which we have just been passing.

Surely it is evident to all of us that the revenues of at least the four western provinces, and, in some measure, of all provinces, have been unequal to necessities. The older and wealthier provinces, having better credit, have been able to weather the storm of recurring deficits. As is well known the four western provinces were assisted from the federal treasury to the extent of about $115,000,000. That is the amount up to date. Surely these are conditions which cause us to think seriously as to where we are going.

Undoubtedly at confederation it was intended that the provinces should discharge their sovereign functions and with respect to the discharge of them should be under no obligation to the federal authorities. No doubt it was intended that the provinces should be as free in their sphere as is the federal authority in its sphere. May I point out that if we continue along the road we have been travelling we shall soon reach a point at which, in connection with several of the provinces, the dominion will be the principal creditor. Indeed, continuing at the rate at which we have been accumulating obligations of this kind, we may be sure that we have not far to go until we reach the stage where the dominion might be the majority creditor of a province. Is that a desirable condition into which to drift? We have only to continue drifting along the lines followed in the past five years to reach that situation within a measurable time.

It is true that at confederation the principle of subsidy was adopted, but there is ample evidence of the fact that the fathers of confederation were conscious of the principle which has been mentioned in this debate, namely, that those public bodies responsible for the spending of money should be responsible for levying the taxation to raise it. The debates with respect to confederation revealed that if the subsidies from the federal parliament were so large as to infringe upon that sense of responsibility which ought to be present in the minds of public bodies spending money, the outcome could not be good so far as Canada was concerned.

As the years have gone by the amount of dominion subsidies in each case has been so relatively small, when compared with the total revenues of the respective provinces, that I believe we may say no evil results have accrued from the adoption of the principle of subsidies to the extent to which it has been adopted. But do we desire to go further in the direction of having one tax-levying body levy taxes upon the whole of the people of Canada, and handing over a substantial part of the proceeds to another

public body which would have an opportunity of making expenditures without assuming any responsibility for raising the money?

I have always believed, critics to the contrary notwithstanding, that in this country the most efficient governing bodies we have are the small ones such as township councils and local school districts. And why? Because they are close to the people who are being taxed. The people who are being taxed have an eye on the expenditure of every dollar. It is not filtered through as it is in connection with the larger municipalities, with the provinces, and with the dominion. I do not regard as an extravagant waste our multiplicity of small governing bodies. When I see figures quoted about the number of governments we have in Canada, I always bear in mind that by far the greater number of them consist of these smaller governmental units, small school district units, small township councils, which are most efficient in the expenditure of the taxpayers' money, yes, more efficient than this parliament is in its control of expenditures, because, as I have said, the individual taxpayer is in very close touch with his local governing body and sees where every cent goes; the expenditure is a matter of public discussion throughout the whole community; everybody knows about it; and that is the way to get economy in the expenditure of public funds.

I regard the maintenance of the principle to which I have just referred, that a public body spending money should be responsible for imposing the taxes to raise that money, as one of the most important principles of public finance. I said a while ago that the provinces have been insistent upon a broadening of their taxation power. At the recent dominion-provincial conference, after very lengthy discussion, the provinces were unanimous in requesting the amendment to the constitution covered by section 1 of the resolution now before the house. With all due deference to the leader of the opposition as a great lawyer, the government must take from the Minister of Justice (Mr. Lapointe) its advice, as to the way, legally speaking, to do things. But may I buttress the Minister of Justice by reminding the house that there are nine provincial attorneys general; these nine gentlemen were present at the dominion-provincial conference, and there is no doubt as to their view that, in order to effectuate what they desire in the way of a sales tax within the province, this legislation is absolutely necessary.

Mr. CAHAN: There is another question, as to whether it is expedient or not.

[Mr. Dunning.]

Mr. DUNNING: As to whether it is expedient or not—I will try to discuss that.

Mr. CAHAN: Or as to whether it gives the provinces access in this way to more revenues than they have by their present powers of direct taxation.

Mr. DUNNING: The first point has been subject to criticism. I know, of course, that in argument in court it is customary to say: Well, I make this point; if I do not succeed on this point I make the next point, and if I do not succeed on that I make a third point. And so on up to the umpteenth point, and the fourth point may be a flat contradiction of point number three. I am not capable of following that kind of argument.

Mr. CAHAN: Oh, quite, and quite capable of asserting it.

Mr. DUNNING: I can say this to my hon. friend, that there is no doubt that each province in Canada has been endeavouring to collect what are in reality retail sales taxes. The provinces have been assisted by legal minds to devise ways and means whereby an apparent prohibition is in some manner evaded; legally evaded, of course. Those things must be done legally. So we have at the present time a variety of what I might call pseudo-indirect taxes—

Mr. BENNETT: What are they?

Mr. DUNNING: —in the provinces of Canada, and, in some cases, in the municipalities.

Mr. BENNETT: Such as?

Mr. DUNNING: Gasoline tax, the fuel oil tax, the meals' tax. I know my right hon. friend draws a distinction. He says that it is quite competent for the provinces to levy a tax provided they make the man who buys pay the tax in the form of a couple of coppers, but if on the other hand they say to the merchant selling the goods that he must pay them the equivalent of two cents, that is illegal. I understand that is the distinction; and as a consequence of it the people are inconvenienced, the stores are inconvenienced, the provinces are inconvenienced, by a very cumbersome system of tax collection. They all complain about it, and the public complain about it. From my point of view it has only one merit, and that is that the people never have any doubt that they are paying a tax when they pay out the two coppers, or the five coppers, as the case may be, under the various tax laws of the provinces as those laws now exist.

Mr. BENNETT: And there was no trouble in collecting the gasoline tax.

Mr. DUNNING: In that case, I believe I am correct in stating that the gasoline vendor is made by statute a tax collector for the government.

Mr. BENNETT: Quite so.

Mr. CAHAN: And that is what you are also doing by this process.

Mr. DUNNING: Is that direct or indirect?

Mr. BENNETT: That is direct.

Mr. DUNNING: I admit at once that this has been a fruitful subject for litigation, and, as lawyers sometimes say, the privy council has the last guess. The Minister of Justice says what I, of course, could not say without disrespect, that the privy council sometimes changes its guess. Be that as it may, surely it will be admitted that probably section 1 of the resolution now before the house will limit, if not eliminate altogether, lawsuits of the kind to which I have referred.

Mr. CAHAN: Oh, no; it will largely extend the field for guessing.

Mr. DUNNING: Well, I am sure that the legal profession, which has been having a hard time in the last five years, will welcome any extension of the field of litigation.

Mr. CAHAN: I have no doubt, but we are not legislating for them at present.

Mr. DUNNING: With respect to the other matter, I cannot of course discuss whether the amendments contained in sections 2, 3 and 4 of the resolution are constitutional and necessary; I shall leave that to the Minister of Justice. They constitute, however, the expression of a desire on the part of the government of Canada to get away from the drifting policy of the last five years, and have a relationship with our provinces which is not capable of any misunderstanding or any doubt or litigation with respect to the intent and meaning of the arrangement made. That is our desire, and that desire is based upon a very simple principle. Here I come to an observation made by my hon. friend from Lethbridge (Mr. Blackmore). He disagrees with the terms of section 2 with respect particularly to the words in the fifth line. I will read the first part of the section:

> The parliament of Canada may authorize the government of Canada to guarantee the payment of the principal, interest and sinking fund of any securities (hereinafter called "guaranteed securities") which any province of Canada may from time to time make or issue, and, subject to the provisions of this act may prescribe the terms and conditions upon which any guarantee so authorized shall be given.

The last words that I have read are those to which my hon. friend from Lethbridge takes serious exception, namely the fact that the parliament of Canada, extending the guarantee of the whole of the people of Canada to the people of one province, shall have the right to lay down the terms and conditions under which that guarantee shall be given. The hon. member and others associated with him object to that. I rest my case, in that connection, not upon any legal or constitutional ground, but upon grounds of simple right. The people of any province have the right to borrow money, to use their credit. They have the right to tax themselves. By and by they reach the limit of their spending ability; they reach the limit of their immediate taxing power, and they come to this parliament, representing the whole of the people of Canada, and say in effect: We, the people of one province of Canada, desire the people of the whole of Canada to agree to tax themselves to help us. In simple terms that is what the guarantee means: We, the people of one province of Canada, needing assistance from the people of the whole of Canada, ask the people of the whole of Canada to agree to tax themselves on our behalf.

Mr. BENNETT: Oh, no. They pay the money back out of the moneys to which they are entitled.

Mr. DUNNING: The giving of the guarantee implies beyond all question the use, if necessary, of the taxing power of this parliament to raise the money with which to pay the obligation. The fact that there is a margin of security, which my right hon. friend well knows would be inadequate in most cases—

Mr. BENNETT: No.

Mr. DUNNING: One only requires to examine the figures.

Mr. BENNETT: They could pay the interest.

Mr. DUNNING: If my right hon. friend had studied the figures as to the relationship of provincial subsidies to the amounts of interest involved, even at a scaled down rate, I am quite sure he would not regard the provincial subsidies as very adequate security for the guarantees. In some cases the subsidies are already pledged.

Mr. BENNETT: Then, if they are already pledged, that answers the constitutional argument.

Mr. DUNNING: There might be some doubt as to the constitutionality of the pledge, but that they are pledged in some cases is unquestioned, as my right hon. friend, I think, knows. At any rate, on the question of principle I say this, that when the people of

one province—any one province—make such a request of the people of the whole of Canada they have a right to expect that the people of the whole of Canada, through their parliament, will make conditions with respect to the assumption of that liability. I do not think there is any escape from that position, and there is no need to read into it a sinister meaning, as my hon. friend from Lethbridge did, implying that all of us sitting in this parliament were puppets of some indefinite outside influence which he describes as the money power. Well, I doubt whether he would find half a dozen, no, he would not find one, of the 245 members here who would agree for a moment that this parliament was or could be subject to any sinister influence such as he imagines, trying to support his contention by reading anonymous communications.

That sort of thing, Mr. Speaker, does not get us anywhere in wrestling with these problems. The government of Canada is keenly desirous of cooperating with the provinces in effecting some regularized way out of the morass into which some of them have drifted. I do not join with those who blame the people of those provinces for the condition in which they find themselves. I know too well the economic and climatic conditions which have prevailed in some of those provinces, and which were largely responsible for their present plight. Of course, having taken some pride during ten years as treasurer of a province in holding its debt down to $50,000,000, which was as far as I thought it ought to go, I think I may be forgiven the horror which I experienced when I found that four years of another kind of government had trebled the debt. But the people of Saskatchewan maintained that government in power for four years, and as the right hon. leader of the opposition has well said, the people of a province have a right to whatever government they themselves vote for. That was a pretty expensive lesson, but I am quite sure the people of Saskatchewan have learned it. In the main, however, those western provinces, with which of course this resolution will chiefly deal, at least during the early years of the operation of any legislation which may be introduced under it, have had difficulties in an economic sense far greater than those affecting the older and wealthier provinces in central Canada and the maritimes.

I do not think I need go further with respect to the broad principle now under discussion. It is not intended to rob any province of its right of self-government, of its autonomy, but neither is it contemplated to do what my hon. friend from Lethbridge would have us do, that is, abdicate the authority of this parliament with respect to the control of the credit of the whole of the country. If the credit of the whole of Canada is extended to any province or provinces this parliament at all times must retain control of the extent to which and the terms upon which that credit is extended.

[Mr. Dunning.]

Mr. R. A. PELLETIER (Peace River): Mr. Speaker, I rise to speak to this motion with a great deal of uneasiness. I am not a constitutional authority, nor am I even a member of the legal profession. But I recall the words of the hon. member for Kootenay East (Mr. Stevens), in his first speech this session, when he said that this was the House of Commons and, therefore, the house of the common people. It seems to me that any resolution brought before us necessarily must affect the common people, and I like to identify myself with the defence of the common people, using that term in its proper sense.

After listening to the speeches on this resolution it seems to me that its importance cannot be minimized. For example, I have before me the words of the hon. member for St. Lawrence-St. George (Mr. Cahan), when he gave us a picture of the depth of feeling that existed at the time the British North America Act was drawn up. He said:

> The germs of the confederation idea came from the sixty thousand men of the French race and of the Catholic religion who were left practically deserted when the naval and military and civil authorities of France evacuated Quebec and Montreal, and left those people under the guidance of their clergy to work out their own destiny on the banks of the St. Lawrence river. The germs of the confederation idea were in the minds of the tens of thousands of men who left the New England states, and especially the state of New York, and came down and settled in western Nova Scotia, which then comprised the shores of New Brunswick to the Maine border, and there attempted to work out their own destiny as British subjects, enjoying, as they hope to do, the liberties and privileges which appertain to British citizenship.

He then went further and said:

> These men brought with them the ideas which germinated and found expression in the British North America Act, that act representing an expression of the profoundest emotions of these people and of others who had been born and bred in this country, all of whom agreed, irrespective of their political affiliations, to unite to carry the confederation program to success. And entertaining those ideas—because I have lived for a certain time of my life among men who would rather fight and die than see any changes made in the British North America Act which they regarded as contrary to their best traditions and their best aspirations—I look upon that act, I look upon the constitution of Canada as something that should not be amended frivolously or without impartial and anxious investigation and study.

I should like to refer also to the address of the Minister of Justice (Mr. Lapointe), who referred to the words used by Sir Wilfrid Laurier, who said:

—it is the duty of everybody in this house and in this country to take confederation as we find it, with its good points and its blemishes, and carry it to the end of the principle upon which it was established.

Having before me such utterances from such sources, and knowing it is the desire of us all to safeguard the constitution of Canada, I ask myself this question: As a common member of this House of Commons would it not be well first to know exactly what we seek to amend? It seems to me that before we can proceed to make any amendment to our constitution it should be possible for us common members of this house to have before us what we may term a certified copy of the act we are being asked to amend. I have made certain inquiries and have been told by one whose authority cannot be questioned that in his opinion such a certified copy is not to be found in Canada to-day.

Mr. McLEAN (Melfort): Who is the authority?

Mr. PELLETIER: If my hon. friend will look up what I have said he will run across that authority.

Mr. McLEAN (Melfort): Who is the authority?

Mr. PELLETIER: I have no permission from that authority to say who he is.

Mr. LAPOINTE (Quebec East): Monsieur X.

Mr. PELLETIER: No, it is not Mr. X. However, be that as it may, I simply raise this point, because it seems to me that a matter of such grave importance as we have been led to believe it is certainly demands most careful consideration.

There is another important fact which I would like to point out. The first part of my remarks stands for what it is worth; it is not for me to give any legal opinion on that point. I leave it in the hands of the Minister of Justice; to my mind he is quite capable of protecting the interests of all the Canadian people. I simply give it to hon. members for what it is worth; possibly it may deserve some consideration. However I hold in my hand the report of the dominion-provincial conference of 1935, and I notice, under the heading Constitutional Questions, at page 37, the following:

This conference, in the interests of the dominion and of the provinces, is of the opinion:—

(a) That amendments to the British North America Act are now and subsequently may be necessary and imperative.

I agree with that clause. If the time comes that the British North America Act no longer serves the needs of the people of Canada then it should be amended so as to be of service to Canadians at large. That, to my mind, is one of the purposes of government Then the next clause:

(b) That, as in the case of all the other self-governing dominions, Canada should have the power to amend the Canadian constitution provided a method of procedure therefor satisfactory to the dominion parliament and the provincial legislatures be devised.

(c) That the Minister of Justice convene at an early date a meeting of the appropriate officials of the dominion and of the provinces to prepare a draft of such method of procedure, to be submitted to a subsequent conference.

That, I understand, has already been done. But this clause follows:

(d) That a conference be held at an early date after such draft has been prepared to consider such a method of procedure.

This resolution is now brought before the house without the recommendation of the dominion-provincial conference being taken into consideration. There was recently a meeting of, in the opinion of the Minister of Justice, appropriate officials. I do not know what the results of their labours were, but I know they did not result in the calling of a conference, at an early date after such draft had been prepared, to consider such a method of procedure. But in view of the grave concern which has been expressed, not by myself—I do not regard myself as an authority—by the hon. member for St. Lawrence-St. George as well as by the late Sir Wilfrid Laurier, I simply ask myself this question: Is it a good thing to proceed with such an amendment before everything necessary is done and all those interested have been consulted?

We have also been told that as far as the resolution is concerned it is not of material importance at the present time because it does not mean any legislation just now; it is simply to seek power to obtain such legislation as might be necessary later on. The point is, however, that the first part of the resolution is perhaps the result of the demands of various provinces, but I have now the words of the Minister of Finance (Mr. Dunning) when he stated a few moments ago that the last part simply represents the idea of this government at the present time. There are two clauses which certainly do not represent the general opinion of all the provinces of Canada or of the people of Canada, and because they are both embodied in the same resolution it makes it very difficult to know how one should proceed.

When we speak of the last part of this resolution it cannot be said that it is the desire of any great number of people in Canada to-day. I have before me a resolution adopted, not by a social credit group, because I know that would have absolutely no influence on my hon. friends opposite or elsewhere, but a resolution which certainly must be taken into consideration, and which goes a good deal further than I could possibly go myself. It is from the Western Producer of April 30, 1936, a statement made by the United Farmers of Canada, an organization which has been recognized in the past, and which to my mind certainly deserves consideration. This is what they have to say about this proposed loan council:

> At the present time Premier Patterson is in conference with Hon. C. A. Dunning, considering whether Saskatchewan shall place herself under the financial domination of Ottawa, through the proposed loans council scheme. Before this is done, if not already too late, it is essential that we should realize what is involved. Previous warnings of the U.F.C. have gone unheeded, hence the present statement.
>
> If this proposal is agreed to it means that Saskatchewan will surrender her financial autonomy to the Minister of Finance, who will thus be placed in the position of a dictator in regard to any refunding plan and of all future borrowings of the province, and as collateral security Saskatchewan will be required to pledge all amounts payable by the dominion in the form of subsidies and other specific revenues. Once our government has placed itself in this position it cannot withdraw. Call it what we will, this is fascism pure and simple.
>
> In case subsidies are withheld, as may happen at any time under this plan, the immediate sufferers will be the most needy class in the community. Shortage of funds will cause the provincial government to begin to chisel at old age pensions, mothers' allowances, relief and other forms of expenditure, in an endeavour to make up the deficiency, and this would inevitably lower the general standard of living throughout the province. We trust Premier Patterson will have the courage to resist to the limit any effort at dictatorship from Ottawa.

As I said a moment ago, that is not the opinion expressed by some group of social crediters or anyone who might be said to be prejudiced against any plan of this nature, but a statement issued by the United Farmers of Canada.

Mr. EVANS: Cooperative Commonwealth Federation.

Mr. PELLETIER: They are people just like you and me.

Mr. McLEAN (Melfort): How many people issued that statement?

Mr. PELLETIER: I have read it exactly as it is reported in this paper.

Mr. McLEAN (Melfort): At a convention?

Mr. PELLETIER: The point is that they are people just like yourself and myself; they have reason to issue a statement like that and their remarks are entitled to consideration.

Now, to come to the point raised by the Minister of Finance. I remember not long ago the Minister of Labour (Mr. Rogers) said that he wanted to know where he was going to land before he jumped. On the other hand I recall the Minister of Finance saying, when we asked a certain question in this house, that it was such questions which brought fear into the minds of certain people and retarded progress in Canada. I would say this to the minister, that I believe early and provident fear is the mother of safety, and if there is in this resolution something which causes us to be apprehensive for the future the time for us to state those fears is now before this wedge has been introduced.

The second part of this resolution is based upon this fact: It is stated as a matter of principle, and it cannot be gainsaid that the dominion has every right to ask a province to submit to certain conditions if it desires to obtain a loan from the federal government. It is said that that position cannot successfully be attacked. But just reverse that for a moment. By what power, for example, do we go into any province of this dominion and impose taxation upon its people in order to spend it upon a harbour in eastern Canada or in western Canada? They are Canadians like us all, and as such they submit to this taxation. Then, why should it be necessary for the people of any one province, who are also Canadians, to be subjected to conditions such as these?

There are certainly a great many things to be said about this resolution, and it would be impossible for me to make such a brilliant plea as has been made by the right hon. leader of the opposition (Mr. Bennett), who, I realize, is one of the greatest legal authorities in this dominion, and who states clearly that he does not see the necessity for the latter part of this resolution. As a layman and, as I said at the beginning, as one of those common people in Canada to-day, I listened to his argument, and I am forced to the conclusion that the resolution lacks the logic which one would expect to find in the persons who drew it up. I am not referring to the Minister of Justice because I believe he was away at the time. Be that as it may, I do not see that we require constitutional authority in the future to do the things that we are seeking to do and that have been done

in the past. I have in my hand sessional paper No. 80, certified to be a copy of order in council P.C. 1135, dated May 12, 1936, and I find it contains this clause:

The minister further states that the said treasury bills of the province of Manitoba have been consolidated into one bill bearing interest at the rate of 4½ per cent per annum and that the total amount less repayments of $20,090.12, namely $5,874,037.37, matured May 1, 1936, respecting which the province has requested a renewal.

The minister recommends that under the authority of the Unemployment Relief and Assistance Act, 1936, the dominion grant a renewal of its guarantee of the foregoing treasury bill amounting to $5,874,037.37 for a period of one year from the first of May, 1936.

Looking at that with the eyes of a layman it seems to me to show definitely that the dominion government has guaranteed—call it what you like, give it any legal definition you like—the debts of one province, and now the government contends that it is necessary to obtain power from Westminster in order to be able to do these very things. That argument appears to lack consistency, and therefore we have every reason for being on our guard. Fear is the mother of safety, and we are compelled to ask why it should be necessary to seek power to extend the powers which the government already has.

As I said before, I cannot make the brilliant plea that was made by the right hon. leader of the opposition, who pointed out that by passing this resolution we would be admitting that we did not possess these powers in the past, or be admitting a sense of inferiority. That is one point I should like hon. gentlemen to consider.

I cannot, of course, go into legal details in connection with this resolution, but I would ask this question: Is it necessary for us in Canada to rush into some agreement without being given adequate reasons for doing so? I admit that at times it might be necessary to amend the constitution of Canada in order that it may better serve the interests of the Canadian people, but I say that such a change should not be made until we have had at least an opportunity of obtaining the opinion of all the people of Canada, who are, after all, deeply concerned in this matter.

Before sitting down I cannot help referring to an incident which occurred yesterday, and to which the Minister of Finance referred to-day, stating that a communication introduced into the debate yesterday was from an anonymous correspondent. I simply want to leave this impression on the house: I know definitely that that letter was in existence. The extract put upon Hansard has been withdrawn, but I do not wish any reflections to be cast upon the leader of this party (Mr. Blackmore) by people who suggest that he was trying to bring before the house something that did not really exist at all. It did exist, and it was brought before the house in good faith. That is all I have to say so far as that matter is concerned.

In conclusion I would ask, if we are going to amend the constitution of Canada to-day for what appears to the Minister of Finance to be good and sufficient reasons, might not the day come when the minorities in this dominion, who have been guaranteed certain rights under the British North America Act, might not find themselves in the same position that certain people find themselves in to-day? That must be left to the patriotism of those who are the government. All I suggest is that we do not know what the future holds. I sound this note of warning against trifling with such an important document as the British North America Act. To my mind there are serious objections—and I am speaking not from the point of view of a partisan but as a Canadian—to proceeding with this legislation, and I trust that the views I have put forward will receive consideration by hon. members of the house.

Hon. H. H. STEVENS (Kootenay East): Mr. Speaker, I would like to say just a few words in regard to this resolution which is of very grave importance, because otherwise my silence might be misinterpreted or misunderstood. Ever since this resolution appeared on the order paper I have been baffled as to the need of at least three of its provisions. I shall deal with the four sections of the resolution in a moment. But first let me say this, and I am induced to say it by some of the observations made by the Minister of Finance (Mr. Dunning): When he was speaking he asked in an impassioned manner: Where are we going? He insisted that we should ask ourselves where this was going to end, referring to loans to provinces and the present day method, or the method of recent times, of dealing with the monetary relations between the provinces and the dominion. Then he added this: The dominion will soon be the majority creditor of the provinces, and he insisted that that condition, which he suggested we were rapidly approaching, was so serious that it called for definite and serious treatment at the hands of parliament. I asked myself this question: Assuming that the Minister of Finance was quite right in his diagnosis of the situation, does this resolution as it now stands before us adequately meet the situation which he so graphically described.

In the first place I would say to the Minister of Justice (Mr. Lapointe) in particular and to the right hon. the Prime

Minister (Mr. Mackenzie King), that what we are doing here is amending the British North America Act. That is the effect of the resolution. That is a tremendously important matter. It is something which has been rarely done. It has been done on occasion, but it is what might be termed a major action on the part of this parliament. That being so—and I do not think it will be disputed—ought not a major action on the part of this parliament in dealing with a constitutional matter achieve a major result, that is, if we are justified in taking action at all? The question which occurs to my mind is whether we are justified in making or asking for an amendment to the British North America Act.

This brings me to the resolution itself, and I shall try to be brief. Like the Minister of Finance, I disclaim any capacity or ability to discuss this matter in a constitutional or legal way. I am not in my observations presuming to do that. Dealing first with section 1 which refers to the question of taxation, in the first place, I do not think it solves the outstanding problems facing the dominion and the provinces. Let me illustrate what I mean. One of the most perplexing difficulties facing the people of Canada to-day—I am talking about the taxpayers—is the dual power to impose income tax. That is not provided for in this resolution. We are not dealing with that. It is something with which we ought to deal in making a major amendment to the British North America Act. I think it is far more important than what is contained in the resolution. That is one problem.

Let me turn to what is being done by the resolution and ask if this parliament really appreciates the extent to which we are going in this proposed subsection 2A to section 92 of the British North America Act. What we are proposing to do is to empower the provinces to impose indirect taxation in the form of a tax on retail sales. That is a turn-over tax on retail sales. I suggest that that places in the hands of the provinces the power to impose a tax which will make it impossible for the dominion to continue the sales tax as we now have it as a source of revenue. If we are going to give the provinces this power, then I think we ought to say to parliament and to the country that when this power is exercised by or made available to the provinces, the parliament of Canada will abandon the sales tax system. I venture the opinion—I claim the right to express an opinion because this is within my own sphere; it is not legal—if this power is taken advantage of by the provinces, such a burden will be placed upon commerce that it will be impossible to carry on.

[Mr. Stevens.]

Supposing the provinces impose a two per cent retail sales tax right across the country. That would be a terrific tax. I question whether the provinces realize the magnitude of such a tax. Another point is this: If you give to the provinces such a power without restriction—it is restricted only as to liquor, tobacco and so forth—the power is unlimited as to the extent to which they can go and they might impose a tax of four, five, six, seven or even ten per cent. In other words, a province in dire distress, under pressure of need, might go to an extent which would be ruinous to business. Rather than give the provinces a power of this kind, I think we should have endeavoured to come to an understanding with them on the question of income taxes. The minister very properly pointed out the advantages of having local authorities impose taxes as they were closer to the people and could supervise expenditures, but so complex has business become that I think he will have to abandon that principle in favour of such a proposition as I am now going to make. Supposing we could come to an understanding with the provinces as regards income tax that they should abandon the field of income tax to the federal authorities?

Mr. DUNNING: We tried that.

Mr. STEVENS: The minister laughs before I make my proposition.

Mr. DUNNING: Not at the hon. member.

Mr. STEVENS: The provinces would abandon the field of income tax provided the dominion would collect the tax and divide with them on a fifty-fifty or some other basis. The dominion then, being the one income tax imposing body, could raise that tax to the level of the tax imposed in Great Britain or in other countries where circumstances prevailing are similar to ours. This could be done when it was known that there was not a second authority which could impose another income tax. In other words, we could gauge what would be the justifiable, equitable and workable level to which we could raise the income tax. As matters are to-day, we are forced to recognize that some of the provinces have an income tax which makes this action impossible.

I submit to the minister that an indirect retail sales tax virtually means a turn-over tax. Ever since we imposed the luxury taxes in 1917 I have been of the opinion that it was incompatible with equity or practical administration to impose both a sales tax and a turn-over tax. It should be one or the other, and it should be under the juris-

diction of this parliament. If we give the authority to the provinces to impose a retail sales tax, we should abandon the principle of a federal sales tax.

I have no desire or intention to discuss sections 2 and 3 from a constitutional standpoint. I was deeply impressed with the argument made by the right hon. leader of the opposition (Mr. Bennett) and, as a layman, I am inclined to agree with his argument. I believe and I have always believed that the federal parliament had absolute power to make agreements with the provinces, and I believe that the provinces have the power to make agreements with this parliament or with the government of Canada. Therefore I agree with the argument of the right hon. leader of the opposition that it is not necessary to make amendments to the British North America Act in order to make loans or advances to the provinces. I am not going to labour that point as it has been dealt with so ably and I shall leave it at that.

I also agree with the point raised by the right hon. gentleman that the language used in this resolution implies that the provincial legislatures, on the one hand, and the dominion parliament on the other, have been acting in an unconstitutional manner. I do not think we should place in any resolution to amend the British North America Act any language that would leave any question whatever as to the constitutionality of our actions in the past. I urge very strongly that the Prime Minister (Mr. Mackenzie King), the Minister of Justice (Mr. Lapointe) and their colleagues should give careful consideration to this point.

May I say this to the leader of the government? In offering these observations, I do not do so as a reflection upon the government. This is an extremely difficult matter with which to deal and I am not criticizing the government personally for any imperfections which may appear. I am sure the Minister of Justice will respond to this advance. Neither he nor his staff should feel there is any reflection upon them because these suggestions are made. I appeal to him carefully to study the suggestions that have been put forward from all sides of the house, and, I imagine, from some of his own supporters, as to redrafting the resolution.

Mr. LAPOINTE (Quebec East): Oh, no.

Mr. STEVENS: The Minister of Justice says, oh, no; well, I will leave it at that.

Mr. LAPOINTE (Quebec East): We have been working on the resolution for three months.

Mr. STEVENS: Let me assure the minister that there is no desire to reflect upon his work or that of those who worked with him, but I cannot agree with the form in which the resolution now appears.

Let me deal with the point raised yesterday by the leader of the social credit group, the hon. member for Lethbridge (Mr. Blackmore). Part of the language in section 2 gives me some concern, and I should particularly like the Minister of Justice to listen to the arguments of a layman on the point. Again I am not arguing it legally, but I am raising what is at present a doubt in my mind. The minister may be able to reassure me, and, if so, I shall be pleased to hear him. The hon. member for Lethbridge raised a question about this language:

> The parliament of Canada may authorize the government of Canada to guarantee the payment of the principal, interest and sinking fund of any securities (hereinafter called "guaranteed securities") which any province of Canada may from time to time make or issue, and, subject to the provisions of this act, may prescribe the terms and conditions upon which any guarantee so authorized shall be given, and the provisions of this act shall, in the event of any such guarantee being given, apply and have full force and effect—

I ask the minister particularly to follow the next few words:

> —notwithstanding anything contained in the British North America Acts, 1867 to 1930, the British North America Act, 1907, the parliament of Canada Act, 1875, the Canada (Ontario Boundary) Act, 1889, the Canadian Speaker (appointment of deputy) Act, 1895, session 2, or any acts, orders, rules and regulations passed or made thereunder or pursuant thereto, establishing a province or admitting a colony or province into the union, or affecting the constitutional relationship between Canada and a province.

That is sweeping language. In other words, my interpretation in the plain ordinary language of a layman is that it authorizes the government of Canada to make loans to a province, but—the minister shakes his head—

Mr. DUNNING: To guarantee payments.

Mr. STEVENS: The correction is justified; it authorizes the government of Canada to guarantee principal and interest, but such action or agreement, no matter what it is—

Mr. DUNNING: Subject to certain provisions.

Mr. STEVENS: —yes, will be subject to the provisions of this act, and all these other acts, powers, authorities and safeguards whatsoever they may be, are not effective. The Minister of Justice laughs; am I wrong?

Mr. LAPOINTE (Quebec East): It is the usual language in all amendments which have

been made to the British North America Act. You must refer not only to the original act, but to amendments which have been made thereto.

Mr. STEVENS: That is not the point. The point I make is that any agreement made with a province will be subject to the new act, but the province may be now enjoying some rights; I do not say what they are, because heaven knows there are so many acts I could not know them; they cover the whole history of confederation. The province may enjoy some rights under some of these acts which may be swept aside.

I ask the Minister of Finance a practical question: Supposing a province approaches him this coming summer or winter and states that it is up against it; that it has maturities which it cannot meet. He knows the Dominion of Canada cannot pay its maturing obligations by actually meeting the payment. Of course the dominion can renew the obligation and use its credit to overcome the difficulty and postpone payment. But we could not meet it. If a province finds it is in the unhappy position where an obligation which it cannot meet is maturing, where can it go? It may go to the minister or to the bank. Now, what happens? It comes to him and the minister prescribes the terms and conditions—

Mr. DUNNING: No; the hon. member is wrong, because the legislation of this parliament pursuant to these constitutional amendments will set out the terms the Minister of Finance may impose.

Mr. STEVENS: Yes, but let me point out that the language of the resolution indicates that there is some doubt about past action, a point which has been ably covered and to which objection has been taken this afternoon. It points out that there is some doubt, but that it will be brought to absolute finality by the passing of this amendment to the British North America Act. Any legislation the minister introduces must be controlled, dominated and limited by the British North America Act.

Mr. DUNNING: That is correct.

Mr. STEVENS: There is no question about it. Now, I proceed with my point: A province may find itself in dire straits. We know what a human being will do when he finds himself in that position. I suggest that provincial ministers are not different from business men who find themselves confronted with a maturing mortgage, because that is what this is. Those ministers come to the federal Minister of Finance asking for a guarantee of $10,000,000, $20,000,000, or whatever the amount may be, and the minister replies: Yes, I will give that guarantee on condition that you go to such and such a bank or such and such an insurance company, or this, that or the other private organization, and give them certain securities. That is a possible course.

Now I come to section 4. Why do we have this clause? In the resolution we find that the government of Canada may withhold any payment to a province, a point which has been dealt with this afternoon. But further, they may "effect payment in whole or in part of any such grant by payment direct to a creditor," and so on. In the first place the minister may impose any conditions he may desire as to the form of the loan or directions in connection therewith. I am not suggesting that this would be done improperly; it may be done in the best of good faith or good judgment. But it may involve a transaction through a bank, an insurance company or some other financial institution.

Time goes on. It may be a short term obligation. It comes due and the provinces are in no better position. Now, under section 4 the minister may "effect payment in whole or in part of any such grants by payment direct to a creditor." There again I point out that by removing from the province the protection, if any, under the long list of acts cited in section 2, the government are placing the province for its whole future under the control of the Minister of Finance.

Mr. DUNNING: In his argument the hon. member persists in regarding this constitutional amendment as if it were the statute of Canada which will later on be introduced, upon which occasion it would be perfectly proper to discuss the authority this parliament will give to the government of Canada. But I can assure the hon. member that I do not intend to become responsible for the introduction of legislation conferring upon me any such powers as those he imagines, and they cannot be exercised without legislation.

Mr. STEVENS: All I can say is that the government has power now to bring in a bill to give them all the rights of control they may wish in making loans to any province. They have that, without this amendment at all.

Mr. DUNNING: That is a matter of opinion.

Mr. STEVENS: I do not think there is the remotest doubt about it.

Mr. DUNNING: I am not a lawyer.

Mr. STEVENS: What I am trying to point out to the minister is that, if there is any

justification for the language which appears here and there through this act, making it retroactive, clearing up doubts about past actions of this parliament, he must accept the position that any legislation he introduces must be in conformity with this act.

Mr. DUNNING: Of course.

Mr. STEVENS: I am quoting the resolution, which will be the act.

Mr. DUNNING: This is a constitutionally limiting act; that is all.

Mr. STEVENS: Certainly this is a constitutionally limiting act, and my hon. friend will have to found his legislation upon it. But let me proceed. The resolution goes on to say this:

> The government of Canada may, ... out of any revenue received or collected by the government of Canada or any department or officer thereof for or on behalf of the province, make payment direct to a creditor of the province of any amount owing to such creditor....

The minister may say that he will never do that. I am not saying that he will, but I am pointing out in the first place that the government have removed from the provinces any rights they may have under existing legislation, and in the second place they are giving a right or a power to a federal finance minister or government to effect payment direct to a creditor of a province of any amount owing to such creditor under the guarantees, without consulting the province at all. The minister will say that he would never do that, and I do not think he would.

Mr. DUNNING: This does not contemplate it.

Mr. STEVENS: But it is there. I am not a lawyer, nor am I reflecting in the slightest degree upon lawyers, but I say that if that meaning is not in the clause I do not know the English language. Some of us have been in parliament long enough to know from experience that, after someone has assured us that thus and so is not meant, we take up our newspaper six months, two years or even ten years afterwards, and we find that the courts have interpreted the language entirely differently from what we were led to believe was meant. You cannot read that language and say that a minister of finance in a federal government has not power to effect payment in whole or in part of any such amount by payment direct to a creditor. The federal minister, if he is so minded, can pay direct to the creditor without consulting the province.

Mr. DUNNING: That is the arrangement. The provinces do not have to come into it.

Mr. STEVENS: If men, with both hands tied, and faced with disaster in the provinces, are told that they can accept or reject a ten or twenty million dollar loan or guarantee, will they not take it? Tell me of any bankrupt business man or other private individual, any province or municipal government that would not do so. The hon. member who is mayor of Vancouver (Mr. McGeer) and who has spoken here frequently can tell of the dilemma with which some of these cities are faced. When they come to the federal minister and say, "Here is our position; we need five or ten million dollars," and the minister says, "All right, we will give you five or ten million dollars, but these are the only conditions upon which the loan can be made," I do not care twopence what the minister's will may be; those will be the conditions.

Mr. DUNNING: Is it unfair?

Mr. STEVENS: No; I will say this to the minister—

Mr. DUNNING: Is it unfair?

Mr. STEVENS: I will limit my answer to this, that without knowing what rights the provinces are surrendering under section 2, I cannot say whether it is fair or not. Parliament ought not to pass this resolution until its members are fully aware of what rights the provinces may be surrendering under the "notwithstanding" clause of section 2.

Mr. DUNNING: None.

Mr. STEVENS: None? I should not like to say that. I am under the impression that they have certain rights. I am not prepared to cite them. I am not a constitutional authority, but from arguments I have heard on the matter I know there are certain rights accruing to the provinces—one was cited here this session—which enabled them at least to resist any, shall I say ruthless, action on the part of the dominion government. Do not conclude that I am suggesting that such action will be taken by the present government, because this part of the legislation will probably not be effective for ten or possibly fifteen years, and it is not likely that my hon. friends who are now on the treasury benches will be there at that time. I do not care what government—

Mr. DUNNING: Let us say, any government.

Mr. STEVENS: I submit that until we know what we are surrendering we should not pass this resolution.

Mr. DUNNING: You are surrendering nothing.

Mr. STEVENS: There is another point. In section 4 we make the dominion the sole judge as to the rights or merits of a creditor. It is easy to understand a condition where, a bank or some other great financial institution having made a loan, guaranteed by the dominion, to a province, in the opinion of the people of the province, supporting their government by an overwhelming vote, that institution might be held to be unreasonable in their attitude and unfair in their treatment of that province.

Mr. DUNNING: That is not the point.

Mr. STEVENS: Wait a minute. The minister always jumps ahead of me. My mind is not quick enough for his nimble intelligence. I say that a condition of that kind might arise. But under this legislation the government of Canada is really the sole judge of whether the creditor is right or the province is right.

Mr. DUNNING: No; whether a default has occurred.

Mr. STEVENS: What is default? There is such a thing as technical default. I submit to the minister that such a thing as technical default has very little merit. Let us come face to face with conditions. In 1937, with four or five hundred million dollars due, are you going to pay it? The minister knows perfectly well we are not going to pay it.

Mr. DUNNING: Surely we are.

Mr. STEVENS: The minister should not quibble. He will pay it by using the credit of Canada to renew it, or make another issue.

Mr. DUNNING: We shall borrow it and pay the existing holders.

Mr. STEVENS: Let us get down to individuals. If I have a mortgage coming due to-morrow, and I happen to have credit enough to borrow a similar sum, and so meet the mortgage, I am not paying it.

Mr. DUNNING: Of course.

Mr. STEVENS: It is simply a renewal of the mortgage.

Mr. DUNNING: But it is not a default.

Mr. STEVENS: I say this, that there might be circumstances in connection with a province where they could not pay, or there might perhaps be some term in the arrangements which could be legally interpreted in such a way that a technical default would arise. There is no doubt in my mind that the people of this country want to pay their debts. That impulse is deeply rooted in the hearts and minds of the Canadian people. But they also have a feeling that there is a degree of injustice in the weight of the debt, due to higher rates of interest and other circumstances. I was a little surprised at the refusal of Alberta and British Columbia to accept the proposals of the minister, but as I studied this resolution I began to appreciate their feelings of alarm, and to realize that they had good grounds. It is not that an individual minister or the present government is going to be unfair or unjust, but it is the apprehension which enters their minds as to the future if they place themselves under the terms of this legislation. I do not blame them for this feeling, and I submit in all earnestness that this resolution should be very carefully reconsidered before the government asks parliament to pass it. And when the parliament of Canada ask for an amendment to the British North America Act there should be a reasonable degree of unanimity with regard to it. There should be at least assurance not that some particular minority is safeguarded but that the change carries the judgment of the people of this country, and if two provinces have already indicated their alarm or fear—

Mr. DUNNING: They are both agreeable to this legislation passing, and have so expressed themselves.

Mr. STEVENS: Well, the minister knows, and I have to accept his word in that regard.

Mr. DUNNING: I assure my hon. friend that is so.

Mr. STEVENS: I am not disputing it for one moment; it is news to me; that is all I can say But I would say that if there is any body of opinion expressed in this house; if there is an apparent division of opinion, there should be great hesitancy in asking for an amendment to the British North America Act. I assure the minister and the government that I am not opposing this resolution on any frivolous grounds. I earnestly feel an amendment should not be asked which purports to deal with a major outstanding difficulty between the provinces and the dominion unless it adequately meets that problem, which I do not think the resolution does. In the second place I submit that sections 2 and 3 are not necessary, because I fully accept the argument of the right hon. leader of the opposition (Mr. Bennett) that we already have the power to make these agreements. In the third place I submit that in section 4 we are going too far in placing in the hands of the

federal government the absolute right and power to determine, in advance of the problem arising, whether the creditor or the province is right in any dispute between the two. I think that is tying the hands of the provinces altogether too much, because the only time a province will take advantage of this legislation will be under conditions of distress, when it will be inclined to accept almost any kind of agreement that the minister likes to dictate.

Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, the proposal embodied in this resolution, as all will agree, has met with strong criticism, but the various angles of that criticism, its diversity and even the contradictory nature of it, show that most, if not all, of the criticism is unwarranted.

First, may I say a word as to the method of securing this amendment. I confess that I was surprised to hear my good friend the hon. member for St. Lawrence-St. George (Mr. Cahan) complain that we are asking to amend the British North America Act according to the old method and the old practice of doing so. But I was still more amazed to hear my hon. friend from Winnipeg North Centre (Mr. Woodsworth) blaming me and the government for not having resolutions of all the provincial legislatures of the dominion before presenting this measure.

Mr. WOODSWORTH: I must correct that impression; that was not my point at all. I congratulated the minister upon having proceeded to do this by a simple resolution, but I said that at the same time there was no reason why we should not do other things in a similar way.

Mr. LAPOINTE (Quebec East): I did not understand my hon. friend in that way, and I was tempted to use the language so brilliantly used by my hon. friend from Nanaimo (Mr. Taylor) the other day, "quantum mutatus ab illo." However my hon. friend explains that that is not what he had in mind. Then my right hon. friend the leader of the opposition (Mr. Bennett) said, "Well, the government is still trying to amend the British North America Act by applying to the imperial parliament for a bill in order to do so."

Mr. BENNETT: I never questioned that. That is the only way to do it. My hon. friend misunderstood me.

Mr. LAPOINTE (Quebec East): My right hon. friend said that if we were in the United States—

Mr. BENNETT: I said—

Mr. LAPOINTE (Quebec East): I am going to say what my right hon. friend said. "If you were in the United States," he said, "an important amendment of this kind would have to be made by first having a bill passed by the congress of the American union, and then this amendment would have to be approved by a certain number of the constituent states. If you were in Australia you would have to do the same thing, and would even have to submit the amendment to the people by way of referendum. If you were in South Africa," he said, "there would be another procedure, but here you content yourself with the introduction of a resolution in this house, asking the imperial parliament to make the change."

I agree with the right hon. gentleman that this is not the best way for a country like Canada to amend its own constitution. For years and years I have been pleading for a change in that method, and I am pleased to see that apparently there are converts to the ideas which I have tried to express frequently inside and outside this house. I think a country like Canada should have the power to amend its own constitution when the necessity arises. I think Canada is the only country of its size and the only federal country in the world which does not possess that power, but we do not possess it. Somebody—and I think it was the right hon. gentleman himself—spoke of subordination because of this resolution, and the inferiority that it implied. I am not responsible for that; at the present time it is the only way for us to effect a change in our constitution. I will help as strongly as I can to change that method, but as long as the situation is as it is to-day we have to resort to this method, namely, to have both houses of parliament adopt an address to His Majesty the King, asking the imperial parliament to agree to an amendment to our constitution.

As you know, Mr. Speaker, a conference has studied this question, and during the last session of parliament a committee of this house also considered it. A subconference was called to study this problem and a committee has been appointed for the purpose of drafting a new statute and doing all that is necessary in order to attain the end which most of us have at heart, but that will come only after the work is completed. Surely, after what has been said in this house since yesterday afternoon as to the extreme importance of anything that changes the constitutional act of Canada we must have the necessary time to do what is essential to be done in the matter. Nothing will be done before it is submitted to every province of the dominion and then to the parlia-

ment of Canada for its approval. But meanwhile we cannot mark time and stand pat when necessity arises to effect some changes, as is the case in the present instance. If we are right—of course every hon. member of the house is entitled to his own opinion about that—in thinking that the provinces are not unfair in their claim, their request, that their field of taxation should be enlarged and broadened, if their demand appeals to the majority of the house as it appeals to the government; if it is right to believe that it is essential for them to have a little more revenue without having to fight to uphold the legality of their taxation in all the courts of the land, this is the only way of coming to their rescue, and we have finally come to the conviction that we should help the provinces in that respect.

Now it is said that the provinces have not been consulted. Well, they have been consulted at least as much as in the case of any other amendment to the British North America Act which has been made since 1867, and a good deal more than in the case of most of them, because, if I am not mistaken the only case in which the provinces were consulted was at the dominion-provincial conference that preceded the increase of the subsidies in 1907. Then the right hon. gentleman called the provinces into a conference in 1931 prior to introducing in this house an address seeking the enactment of the Statute of Westminster, in which the provinces were interested.

Mr. BENNETT: And there is the signature of the representative of every province and a memorandum in the archives of the department.

Mr. LAPOINTE (Quebec East): Yes; the delegates, the premiers or their representatives, came here and they agreed to that, as was done in this case. Not any more in 1931 were the legislatures called upon to enact resolutions of approval. Not in 1907 were there resolutions of the legislatures, and I think these are the only two cases in which the provinces were consulted and their approval asked for. In every other instance the amendments were made at the instigation of the parliament of Canada. In most cases I admit that the provinces may have had only distant interests in the amendments which were made.

Mr. BENNETT: In the Saskatchewan-Alberta amendments that were made in 1930 we passed the same sort of address here as we are passing now.

[Mr. E. Lapointe.]

Mr. LAPOINTE (Quebec East): Yes, the same thing. I admit that this was done while we were at the head of the government as it was done when my right hon. friend was leading the government of Canada.

But there is more. Why talk of the provinces being consulted? They have asked for this thing, at least part of it, the first part of the resolution; they are keen on securing this power of wider taxation. They have been imploring this government and this parliament to give it to them, not only this year but for many years past. And as far as the second part of the resolution is concerned, they have agreed to it. I was a member of the conference and the subconference, and every premier and provincial treasurer there was asked whether he was in favour of parliament securing this power. As I said yesterday, most of them declared that they would be opposed to coming under the scheme themselves, but they were all in favour of the machinery under which the dominion could guarantee the bonds of the provinces by taking securities, and getting remedies, because this is the important part of the resolution. The hon. member for Kootenay East (Mr. Stevens) speaks of sections 2 and 3; those sections are there just to lay the basis, but it is section 4 of the resolution which is the most important, and it is the opinion of the law officers of the country that an amendment to the British North America Act is necessary to enable us to get those remedies.

At six o'clock the house took recess.

## After Recess

The house resumed at eight o'clock.

## PRIVATE BILLS

CONSIDERED IN COMMITTEE—THIRD READINGS

Bill No. 25, to incorporate The Economical Mutual Fire Insurance Company.—Mr. Gray.

Bill No. 39, respecting the Northern Trusts Company.—Mr. Maybank.

Bill No. 43, to incorporate The Equitable Life Insurance Company of Canada.—Mr. Gray.

Bill No. 48, respecting the Pension Fund Society of the Bank of Montreal.—Mr. Jacobs.

## BRITISH NORTH AMERICA ACT

PROPOSED AMENDMENT RELATING TO TAXATION AND GUARANTEE OF PROVINCIAL DEBTS

The house resumed consideration of the motion of the Minister of Justice (Mr. Lapointe) for an address to His Majesty the

King praying that a measure be submitted to the parliament of Great Britain and Ireland to amend the British North America Act with respect to taxation and guarantee of provincial debts.

Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, I have said that the criticism of the resolution before the chair has been of a contradictory nature. For instance, during the course of the debate the provinces have been alternately represented as being allies who were being ill treated and sacrificed by the central government, and almost immediately afterwards as being aggressive enemies wanting to grab everything. They were alternately lambs and tigers. They have been represented as trespassing upon the rights of others. As the hon. member for Broadview (Mr. Church) said, they were wanting to take away what really belonged to the municipalities, such as the amusement tax. Immediately afterwards he said that the whole resolution was a gross invasion of the rights of the provinces. It has been stated that they already have the power which it is sought to grant them by this resolution, and then in the next sentence the danger of granting that is pointed out.

Mr. BENNETT: Not the danger of granting that, no.

Mr. LAPOINTE (Quebec East): I am not referring just to my right hon. friend although I shall come to him in a minute or two. The hon. member for St. Lawrence-St. George (Mr. Cahan) was quite strong in his denunciation of the provinces and provincial methods of taxation. If I am not mistaken, he used the word "probity" towards the end of his remarks. My right hon. friend said that the whole thing appeared to be lightly done; then he went on to say that it was done in a loose way. I know he did not mean to be offensive, but that is what he said. I think that was a harmful statement to make. I do not think there has ever been a resolution of this kind introduced in this House of Commons which has been surrounded with more precautions than this one. The subject matters of this resolution were discussed at great length at a dominion-provincial conference, they were discussed in a subconference of that conference, and in committees. The drafting of the resolution was carried out by the law officers of the dominion who had the cooperation of the attorneys general and law officers of the various provinces. The drafting of the resolution was changed because of objections which were made from time to time. I do not think it is fair to say that the necessary care was not given to its preparation. I do not resent that statement for my own part—I take full responsibility for this resolution—but I do resent the statement on behalf of the officers who worked so hard in the preparation of this matter and on behalf of those who cooperated in order to make it as complete and as lawful as possible. As I said, I think such a statement on the part of my right hon. friend is harmful. He must have realized this afterwards when other members of the house said that they did not know themselves, but they had heard the right hon. gentleman say that this had been done in a bad and loose way. Of course, this will be repeated elsewhere. I do not think it is a fair statement to make and I think it would be better for a distinguished gentleman like my right hon. friend not to cast reflections of this kind on a piece of legislation that everybody knows has been given all the care justified in its preparation.

My right hon. friend says that there is no necessity to widen the field of taxation for the provinces because they already have the right to tax commodities by way of a retail sales tax. They have had this right since the decision of the privy council in the British Columbia and Kingcome Navigation Company in 1934. At that time the privy council upheld the legislation of British Columbia after having declared void and invalid the legislation passed for the same purpose a few years ago but in another way. The privy council stated that the last piece of legislation was direct because it was taxing not the article, fuel oil in this case, but the consumer. Everybody in British Columbia who consumed fuel oil would be taxed. The provinces claim, and I think rightly, that it would be very difficult to apply the same sort of tax to other commodities which they might want to tax; that the method used by British Columbia would make it a very expensive tax to collect. They thought it would be much better if the same purpose could be achieved in another way, and I do not see why this right should be refused to them.

I must say that I was surprised when I heard my right hon. friend make a certain statement yesterday. When he saw the utter surprise on this side he admitted later on that it was not his strongest argument, but at the time he advanced it as a very serious one. He said that by giving to the provinces this right of an indirect retail sales tax we were taking it away from the Dominion of Canada.

Section 92 states:

> In each province the legislature may exclusively make laws in relation to matters coming within the classes of subjects next hereinafter enumerated.

This would come among those subjects, and consequently it would give the exclusive power of retail sales taxation to the provinces.

But section 91 is the section which gives the powers to the federal parliament, and in that section we find this statement:

It shall be lawful for the queen, by and with the advice and consent of the Senate and House of Commons, to make laws for the peace, order and good government of Canada, in relation to all matters not coming within the classes of subjects by this act assigned exclusively to the legislatures of the provinces; and for greater certainty, but not so as to restrict the generality of the foregoing terms of this section, it is hereby declared that (notwithstanding anything in this act) the exclusive legislative authority of the parliament of Canada extends to all matters coming within the classes of subjects next hereinafter enumerated, that is to say,—

3. The raising of money by any mode or system of taxation.

This power is given exclusively to the parliament of Canada by section 91. Then at the end of the section appear these words:

And any matter coming within any of the classes of subjects enumerated in this section shall not be deemed to come within the class of matters of a local or private nature comprised in the enumeration of the classes of subjects by this act assigned exclusively to the legislatures of the provinces.

Surely the parliament of Canada has the right to raise money by any mode or system of taxation, and whatever is stated in section 92 is specifically mentioned not to affect what is stated in section 91. I am sure that any hon. member, whether a lawyer or a layman, may read the British North America Act, either separately or as it is found in the book of rules, and come to the conclusion that at least on this point my right hon. friend opposite was certainly wrong in the statement he made last night. Indeed, if he were right, even now we would have no right to direct taxation. No person claims that we have not that right.

As has been stated, this tax may be delegated to the municipalities, and of this my right hon. friend, and more particularly the hon member for St. Lawrence-St. George are very much afraid. They are afraid that the provinces may empower the municipalities to impose retail sales taxes, and they have fears as to the consequences. Well, the right to use a power does not necessarily mean an abuse of that power. I hope in the future, as at present, legislatures may be composed of men of common sense, and we must assume that they will act as men of that kind would act. The same argument has always been raised against any new move or reform. When self-government was first sought there were always some who were afraid of the use which would be made of it by those who did not have it before. Even after the conference of 1926 I listened in this house to debates in which some hon. members expressed their fears that the new powers claimed by the dominion parliament might be abused. I think the hon. member for St. Lawrence-St. George was one of them. In connection with the shipping act, dealt with in the report of the imperial conference of 1926, he asked me this question: "If you eliminate Canada from the control of the provisions of the shipping act, by what will you replace them?" I answered, "We will replace them by Canadian laws made by Canadian legislatures and a Canadian parliament." I believe the same applies to-day. Why be afraid that the provinces will not use their powers of taxation in a straightforward, honest, correct and useful way?

I now come to the second part of the resolution, a part which my right hon. friend says is not necessary because we already have the powers it seeks. Of course this does not harmonize with the fears of the hon. member for Lethbridge (Mr. Blackmore), or those which the hon. member for Kootenay East (Mr. Stevens) expressed this afternoon. If we already have the powers indicated in the resolution there can be nothing so dreadful about adopting its terms. May I repeat that the main part of the second division of the resolution is found in section 4. Sections 2 and 3 appear only to lay the foundation for section 4, and are included in order that the whole structure may be clear and that everybody may understand clearly the amendments being made. Notwithstanding any views to the contrary, we needed the amendments more particularly to effect the remedies mentioned in the resolution which would protect the Dominion of Canada on guarantees given to the provinces.

Mr. BENNETT: But they are by contract with the provinces.

Mr. LAPOINTE (Quebec East): Yes, by contract with the provinces. Let us consider subsidies. The principal of these is payable to the provinces by virtue of the section in the constitution which states that the subsidies will be payable yearly to the provinces for the support of governments and legislatures. No doubt local purposes mean provincial purposes, and the provincial legislatures might appropriate every year some of the subsidies for the payment of interest or even the principal of bonds. At the same time the constitution contemplates that the governments of the provinces should each year receive the revenues so provided, and I think it doubtful—the law officers of the crown think it cannot be done—that with the act

as it is a legislature could validly appropriate future payments so as to deprive a government of the future of this revenue.

That is where the situation is complicated, and it applies equally to taxation. No doubt the government of any province may apply to-day the revenue of a special tax for the purpose of paying interest on bonds or even the principal of bonds. But I fail to see in the act any authority to bind future legislatures, and if there is not the amendment which is being sought through the present resolution, the law which appropriates the revenue of that tax for the payment of that bond may be repealed at any time by any legislature of a province. Those, I repeat, are the views of the law officers. I have a great respect for the opinions of my hon. friend from St. Lawrence-St. George. I have great respect and admiration for those of my hon. friend the leader of the opposition. But when it comes to entering into a project which may involve millions, nay, hundreds of millions of dollars to the treasury of the dominion of Canada, surely it is the part of wisdom and of prudence to do what is being done to-day, when the law officers of the dominion are of this opinion.

My right hon. friend quoted this afternoon section 118 of the British North America Act, and upon that based his contention that the provinces had the power at the present time to apply, or to let the dominion apply, part of the grant or subsidy for the payment of those bonds.

Mr. BENNETT: Payment of interest.

Mr. LAPOINTE (Quebec East): Payment of interest. I am going to present certain quotations to show that the dominion has the right to deduct a certain specified sum for a special purpose mentioned therein, and that strengthens my contention that they have no right to do that for other things. By section 111 of the British North America Act, Canada became liable for the debts and liabilities of each province existent at the time of the union. Section 112 reads:

> Ontario and Quebec conjointly shall be liable to Canada for the amount (if any) by which the debt of the province of Canada exceeds at the union sixty-two million five hundred thousand dollars, and shall be charged with interest at the rate of five per centum per annum thereon.

The same provision applies to Nova Scotia:

> 114. Nova Scotia shall be liable to Canada for the amount (if any) by which its public debt exceeds at the union eight million dollars, and shall be charged with interest at the rate of five per centum per annum thereon.

There is a similar provision for the debt of New Brunswick. But what does section 118 say? It enumerates the grants that Canada will make to various provinces, the fixed grants, then the grant per capita, and it says:

> Such grants shall be in full settlement of all future demands on Canada, and shall be paid half-yearly in advance to each province; but—

Mark these words:

> —the government of Canada shall deduct from such grants, as against any province, all sums chargeable as interest on the public debt of that province in excess of the several amounts stipulated in this act.

Only these sums mentioned in sections 111, 112, 114 and 115, by section 118 may be retained in deduction of the grant that is payable yearly to the provinces.

Mr. BENNETT: But section 118 has been amended.

Mr. LAPOINTE (Quebec East): I am coming to that. My right hon. friend, in answer to my hon. friend from Selkirk (Mr. Thorson) says: Yes, as far as the original provision is concerned, but it has been amended. In 1907 this was amended for the purpose of increasing the grants to the provinces to be paid by the Dominion of Canada. Subsection 6 of section 1 of this amendment to the British North America Act reads as follows:

> The government of Canada shall have the same power of deducting sums charged against a province on account of the interest on public debt in the case of the grant payable under this act to the province as they have in the case of the existing grant.

Mr. BENNETT: That is the section which took the place of the repealed section 118.

Mr. LAPOINTE (Quebec East): Yes, except that it is the same provision which is being continued. I read in the address which was adopted by parliament for the purpose of getting this amendment to the British North America Act, and which is a schedule of the imperial act, these words showing that parliament took the trouble to limit to this interest on the public debt the deduction that could be made by the government of Canada. It said:

> Such grants shall be paid half-yearly in advance to each province, but the government of Canada shall deduct from such grants as against any province all sums chargeable as interest on the public debt of that province in excess of the several amounts stipulated in the said act.

I submit that the fact that this was mentioned, not only in the original British North America Act of 1867 but in the amendments

thereto which have been made since, specifically mentioning that those grants must be paid yearly but that the dominion has the right to deduct the amounts for the interest on the public debt in excess of the amount mentioned in the act, debars absolutely any right to deduct any other sum than the one mentioned specifically in the constitution and the amendments thereto.

To show that special provision must be made for the future in cases of arrangements of this kind, I refer to an imperial act of 1892, chapter 52 of 55-56 Victoria, authorizing an advance to the government of British Columbia. An arrangement had been made between the imperial parliament and British Columbia with regard to the settlement in that province of families from parishes in Scotland. I do not know whether my hon. friend the Minister of National Defence (Mr. Mackenzie) came out at that time.

Mr. DUNNING: When was this?

Mr. LAPOINTE (Quebec East): In 1892. However, an advance of £150,000 was made in virtue of this act by the treasury to the government of British Columbia. The debentures of the province were given to the treasury as security, and this amount was to be repaid by instalments. Section 4 of this act provides against the possible action of the legislature of British Columbia in the future. It reads:

> Every act hereafter passed by the legislature of the province of British Columbia which in any way impairs the validity or priority of the charge upon the revenues of the province of the principal or interest of any advance made or debenture deposited in pursuance of this act shall, so far as it impairs such validity or priority, be void unless the previous consent of the treasury has been obtained.

There British Columbia had all the rights possessed by the provinces of to-day, but the imperial parliament did not trust that arrangement with the provinces as binding in the future, and protected itself against possible repeal of the legislation which provided this guarantee.

Mr. BENNETT: Mr. Fielding did the same thing with respect to our trust securities.

Mr. LAPOINTE (Quebec East): Yes, I think he did. Does anyone think—do you think, Mr. Speaker—that we introduced this resolution simply for the purpose of enjoying ourselves, or to hurt or do harm to anybody? If we had all the powers which my hon. friends claim we have already, it would have been so easy to exercise them and not be subjected to the criticism we have been meeting yesterday and to-day. We thought, and we are sure, that this is the proper way to protect ourselves. I make bold to say that if my hon. friend the Minister of Finance (Mr. Dunning) had brought into the house legislation such as he will be able to bring in after this amendment is made, without having first had the British North America Act amended, in my imagination I can hear the voices of my hon. friends strongly criticizing us and declaring that we were assuming powers which did not belong to us. This resolution is merely for the purpose of doing the right thing in the right way, and I do not see that we deserve all that has been said yesterday and to-day with regard to this matter.

Of course it may be a question of a different state of mind, a different mentality. We want to be sure that we have a right before we make use of it. I remember well, a year ago, the government of that day introducing in the house many pieces of legislation which a good many hon. members thought the parliament of Canada had no authority to enact. My right hon. friend—and I admired his courage in those matters—said, "I have the right and I am going to use it." Of course he did so, but I am not sure that my hon. friend from St. Lawrence-St. George was so sure of the constitutionality of some of those statutes. However, at the present time there are eight references before the Supreme Court of Canada. The other day in his speech on the address my hon. friend said that it was a mistake to make such references even if we were not sure. He said that lawyers generally held the conviction for years that the Lemieux act with regard to industrial disputes was ultra vires of the Dominion of Canada, but we left it on the statute books until someone challenged its validity and the privy council declared it void. My hon. friends thought that was the proper way to act. I do not think it is the proper way. I believe that before taking a step involving the expenditure of millions of dollars belonging to the Dominion of Canada we must be sure of our law, and it is not after the thing is on the statute books that the ratepayers should be compelled to apply to the courts in order to ascertain whether or not the legislation is valid.

Then my hon. friend from St. Lawrence-St. George, supported to some extent by my right hon. friend the leader of the opposition, criticized the drafting of the resolution. My hon. friend said that he did not know where section 2A would come in the section as amended. Well, I suggest that there is no

other place for 2A than right after 2. It cannot be before 2 or immediately before 4, and I do not think anyone, any court of law or any parliament, would find fault with section 2A being mentioned as it is in the resolution. My right hon. friend said that it was bad drafting to put a number like this in a constitutional act.

Mr. BENNETT: Having regard to the provisions of section 2.

Mr. LAPOINTE (Quebec East): Yes. While my right hon. friend was saying that I had before me the British North America Act with amendments up to 1927, on the very page facing me was the British North America Act of May 19, 1915, by which I saw that the British North America Act, 1867, was amended by adding thereto the following section, immediately after section 51 of the said act: 51A.

Mr. CAHAN: If you had inserted that there would have been no objection, but you have not inserted that. That is all. You have not followed the precedent.

Mr. LAPOINTE (Quebec East): My hon. friend from St. Lawrence-St. George also strongly criticized the words "the patronage of hotels, restaurants and places of amusement." He did not know what that meant. Of course in hotels and restaurants there are not only the rooms and the meals. I am sure my dignified friend from St. Lawrence-St. George does not go to night clubs and restaurants where they dance as well as dine, but people going there have to pay what they call a cover charge, whether or not they eat. They pay a cover charge for being there and watching the performance. It is to cover the cover charge, and other matters of that kind, that the word "patronage" has been selected. I may tell my hon. friend that this word has given a good deal of worry and trouble to the draftsmen, and it was after discussion and cooperation with the provincial law officers that this word was finally selected. I really believe it is a good word and will cover what they want—including the cover charge.

I thank the house for having allowed me to exceed the time at my disposal. My hon. friend the member for Parkdale (Mr. Spence) whom I see in his seat, threatened us that he would prevent the adoption of this resolution in the senate, and would even go to England or see that someone goes to block it there. I may tell my hon. friend that if he attempts that I believe his attempt will end in inglorious failure, and he would do better to come to another view. The whole object is to allow cooperation in financial matters between the Dominion of Canada and the provinces, cooperation which is badly needed at the present time on the part of some provinces. As I have said already, we had no interest in it except to see that the credit of the country and the credit of the provinces were securely protected. In bringing in this resolution we want to make sure that it will withstand any attempt to declare it void, and it is better to ensure that by the passing of this resolution to-day than to fight the matter before the courts later on.

Motion agreed to on division.

Hon. ERNEST LAPOINTE (Minister of Justice) moved:

That a message be sent to the senate informing their honours that this house has passed an address to His Most Excellent Majesty the King, praying that he may graciously be pleased to give his consent to submitting a measure to the parliament of the United Kingdom of Great Britain and Northern Ireland to amend the British North America Acts, 1867 to 1930, and the British North America Act, 1907, and requesting their honours to unite with this house in the said address hereto attached.

And that the clerk of the house do carry the said message to the senate.

Motion agreed to.

## WAYS AND MEANS

### CUSTOMS TARIFF AMENDMENT

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

1. Resolved, that the customs tariff, being chapter forty-four of the revised statutes of Canada, 1927, as amended by chapter thirty-nine of the acts of 1929, chapter thirteen of the acts of 1930 (first session), chapter three of the acts of 1930 (second session), chapter thirty of the acts of 1931, chapters six and thirty-seven of the acts of 1932-33, chapters thirty-two and forty-nine of the acts of 1934 and chapter twenty-eight of the acts of 1935, be further amended by striking thereout subsection one of section six thereof and substituting therefor the following:—

(1) In the case of articles exported to Canada of a class or kind made or produced in Canada, if the export or actual selling price to an importer in Canada is less than the fair market value of the same article when sold for home consumption in the usual and ordinary course in the country whence exported to Canada at the time of its exportation to Canada, or is less than the fair market value or value for duty thereof as determined under the provisions of section thirty-six of the Customs Act, or is less than the value for duty thereof as determined by the minister under the provisions of paragraphs (a) and (e) of section forty-one of the Customs Act, or is less than the fair market value thereof as fixed under the provisions of section forty-three of the Customs Act, there shall, in addition to the duties otherwise established, be

levied, collected and paid on such article, on its importation into Canada, a special or dumping duty, equal to the difference between the said selling price of the article for export and the said fair market value thereof or value for duty thereof; and such special or dumping duty shall be levied, collected and paid on such article although it is not otherwise dutiable.

Provided that when it is established that any articles though of a class or kind made or produced in Canada are not offered for sale to the ordinary agencies of wholesale or retail distribution or are not offered to all purchasers on equal terms under like conditions, having regard to the custom and usage of trade, such articles may be exempted from special or dumping duty.

Provided that the said special duty shall not exceed fifty per centum ad valorem in any case, and the following goods shall be exempt from such special duty, viz:—

Goods of a class subject to duty under the Excise Act.

Provided, notwithstanding, that on importations from Australia under The Australian Trade Agreement Act, 1925, the said special duty shall not exceed fifteen per centum ad valorem in any case.

Hon. J. L. ILSLEY (Minister of National Revenue): Before this resolution passes in that form I would point out that the last proviso referring to the Australian Trade Agreement Act, 1925, is now obsolete and I move that it be struck out.

Mr. BENNETT: It is unnecessary to substitute anything for it? It is covered by the agreement itself?

Mr. ILSLEY: That is correct. It is all dealt with by the agreement with Australia. I move:

That resolution No. 1 be amended by deleting the following paragraph:—

"Provided, notwithstanding, that on importations from Australia under The Australian Trade Agreement Act, 1925, the said special duty shall not exceed fifteen per centum ad valorem in any case."

Amendment agreed to.

Mr. BENNETT: Might I ask the minister who settles these two questions? If he will look at the bottom of page 4 he will see that the resolution provides, first, that "such articles may be exempted from special or dumping duty," and, second, "that the special duty shall not exceed 50 per centum," I should like to know who settles these two questions. Who decides what articles may be exempted and who fixes what the special duty shall be.

Mr. ILSLEY: The Minister of National Revenue. There is at present in clause six a provision which we propose to retain, stating that the minister "may make such regulations as are deemed necessary for carrying out the provisions of this section and for its enforcement," and "minister" is defined as meaning in the Customs Act the Minister of National Revenue. That provision taken with the rest of the section makes it clear I think that it is the minister who makes the decision.

Mr. BENNETT: I quite agree with the minister. I asked him only because I desired to have placed on record that this arbitrary power about which we used to hear so much is still to continue and to be exercised by the same minister in the same way. It is pleasant to recollect that the hon. gentleman who is now sitting on the treasury benches was once sitting over here, and it makes all the difference in the world where you sit as to what your attitude towards these questions will be. If the Minister of National Revenue could only come over here for a few minutes and forget that he is minister, I should like to hear him repeat once more those denunciations of the arbitrary powers exercised by one man in dealing with these matters, fixing the duty and determining where it shall be applied. But now he is sitting over there and sounder counsels prevail. He and his colleagues realize that, after all, laws must be administered; that to administer them there must be someone to do it, and that the someone in this instance happens to be the competent minister. The special duty must be within the maximum fixed of fifty per cent, and I notice that the minister was very careful to use the words "within the provisions of the statute." The dumping duties will now be administered with the same zeal, the same enthusiasm, I trust, and the same care for Canadian interests as characterized the administration of his predecessors in office, whoever they might be.

Mr. ILSLEY: I do not know that any reply is required to that. I do not recollect that any criticism was ever made of this provision of section 6 of the customs tariff that the minister may make such regulations as are deemed necessary. That provision has been in the customs tariff ever since the dumping clause was enacted. Our criticisms were directed against something else entirely.

Mr. BENNETT: I would not for a single moment deprive the minister of any satisfaction he may derive from that observation. I asked him a question, who decided these two questions, and he was good enough to explain that it was the minister himself, not the Minister of Finance but the Minister of National Revenue, the same minister who in times past was exercising arbitrary powers in determining by regulation just what the duty should be, in which determination, of course, he exercised his best judgment. The regula-

tion makes it clear that the special duty shall not exceed fifty per cent ad valorem in any case, and "the following goods" shall be exempt from such special duty. The question I asked in order to lay the foundation for my observations was which minister was meant, and I was glad to receive the answer I did. Therefore, under the regulations the minister exercises this most unwholesome and un-British arbitrary power which has caused such pathetic concern to the people of this country as expressed by the minister himself in times past. I think I see now his high intellectual brow being wrinkled as he waved his arms in days gone by in denunciation of such arbitrary powers being exercised by the minister.

Mr. STIRLING: As you read the wording of the amendment, Mr. Chairman, I was not in a position to follow it in the office consolidation copy. Would the minister indicate any changes made in the first long paragraph before you get to the proviso. I think there were some changes made in the sixth and seventh lines.

Mr. ILSLEY: There is only one change in the first paragraph, and that is that the reference to section 37 of the Customs Act is omitted because section 37 has been repealed.

Mr. STEWART: Would the minister be good enough to explain to the committee the effect of any changes that have been embodied in this section as compared with the old section? In what respect does this change the law as it existed before the section was repealed?

Mr. ILSLEY: One important addition to this clause is the first proviso:

> Provided that when it is established that any articles though of a class or kind made or produced in Canada are not offered for sale to the ordinary agencies of wholesale or retail distribution or are not offered to all purchasers on equal terms under like conditions, having regard to the custom and usage of trade, such articles may be exempted from special or dumping duty.

That is the part which refers to the offering for sale of goods offered on equal terms under like conditions, having regard to the customs and usage of trade. It was part of section 6 of the customs tariff for a long time, for twenty or thirty years, I believe, and then it was stricken out. That is being restored, and the other part has been added, namely, that part which relates to the sale through ordinary agencies of wholesale or retail distribution. The class of cases that it is intended to cover is this: There is, I think, an admitted tendency towards large scale production and distribution in the Dominion of Canada. The price spreads commission which sat two years ago and a year ago discovered that that was the case. There are what some people call monopolies and what others call quasi-monopolies doing quite a large part of the business of Canada, and some cases where combines or monopolies control particular articles or a particular class of goods manufactured and offered for sale; there is no real competition there at all. There are instances of that which I have in mind.

Mr. BENNETT: Can the minister without violating any secrecy give us an illustration, using fictitious names, just to make this clear?

Mr. ILSLEY: It is questionable whether I should, but I think I will.

Mr. BENNETT: I do not want the names, just the facts.

Mr. ILSLEY: But the moment you mention the commodity the name suggests itself to anybody. There is in use in nearly every household in the country, particularly in the poorer households, an article which is manufactured in Canada by one company alone. That company has in Canada a complete monopoly of the manufacture and sale of that article. It does not offer that article to any wholesale or retail agencies of distribution at all, but sells it directly to the public.

Mr. BENNETT: Directly to the retail trade?

Mr. ILSLEY: No; it sets up its own retail agencies. There is only one seller of that article in Canada. That article can be imported, and under conditions which technically at least, perhaps, call for the imposition of a dumping duty. It is considered that under circumstances of that kind there should be discretion in the minister to enable him to exempt the article from dumping duty if advantage is being taken of monopolistic conditions. That is what we have in mind there.

Mr. STIRLING: Is it an article produced in Canada?

Mr. ILSLEY: Yes, it is produced in Canada. If it were not of a class or kind produced in Canada the dumping clause would not apply. It is just a matter of opinion as to whether some freedom of importation should be permitted in cases of that kind, but apparently it was considered for many years. I assume that it must have been considered by Mr. Fielding when he introduced this legislation, although I have not read his speeches on the subject. Where there are not conditions of

competition in the country, as, for instance, in the cases covered by the latter part of this section, and where the goods are not offered to purchasers on equal terms under like conditions, having regard to the custom and usage of trade, there should be some discretion in the minister to permit some importation in order to bring about a reasonable level of prices in the industry. This section does not quite cover the particular article to which I had reference. There may be a certain type of machinery in connection with which there may be a monopoly in the country. A person purchasing machinery should be enabled to buy it as cheaply as he can obtain it, instead of being thrown into the hands of one producer or a combine of producers in Canada. To a certain extent this, shall I say, liberalizes the section or permits the waiving of the dumping duty under certain conditions when the consumer is likely to be exploited by a monopoly or a monopolistic combine.

Mr. STEWART: Would an order in council be required to do that, or would the minister make the decision on his own responsibility?

Mr. ILSLEY: The minister can do this.

Mr. BENNETT: I should think a power as great as that should at least have behind it the sanction of an order in council. I desire to congratulate the hon. gentleman again upon his manifestation of that fine spirit of example or, shall I say, of learning by responsibility that, after all, some things have to be done if business is to be carried on. I think it would be better if the power were exercised by the governor in council rather than by the minister. I shall give the benefit of my observations with respect to these matters. This will sound a little like hon. gentlemen listening to their own voices, not so melodious, and if I only had the proper record I could turn it on. That would express the views with respect to the matter, and undoubtedly it would enable someone on the other side to say "gramaphone record." This is my observation. Where the minister has to make a decision, sometimes the bulletins which are sent out to the various customs houses do not reach there as quickly as they might and certain difficulties might arise, to which reference has been made in this house. If this were made by governor in council, perhaps it would carry more authority.

I was going to point out another matter. I could name a substance which is produced in this country by one producer, and which is undoubtedly highly protected or, shall I say, fairly highly protected. The previous government provided the tariff and that is sufficient to indicate that it is a fairly high tariff. I am speaking now as though my hon. friend were here and I were over there. From what the minister has said, I assume that under those circumstances, notwithstanding the provisions of this resolution, the minister would in no sense interfere with the tariff except that he might put the article on the free list or he might reduce the tariff. That is, the governor in council might do that, but the minister does not contemplate by this section the doing of anything with respect to tariffs. That will be dealt with in an entirely different way. All he does is to say that if I import goods into this country and show him that I must go to a monopoly for them if I desire to purchase them in Canada, and must pay a price which is out of all reasonable proportion to that at which I could import them, he has the power to dispense with the dumping duty. That is all that is meant by that. There is another class of case in connection with which I have received communications. The minister can only recommend to the governor in council that action be taken to reduce the duties, and they can reduce them to the extent of making them free if they so desire. That is as the law now stands.

Mr. ILSLEY: Goods may be put on the free list by the governor in council and the governor in council may reduce or remove duties as compensation to another country which gives corresponding advantages to us. I am not aware of any power in the governor in council to reduce duties or place goods on the free list, unless they come within one or the other of those categories.

Mr. BENNETT: Is there not another one?

Mr. ILSLEY: I cannot think of it at the moment. As the right hon. gentleman well knows, an order in council may always be passed to remit or refund duties, but that is a different matter.

Mr. BENNETT: I do not mean that.

Mr. ILSLEY: The right hon. gentleman may have been referring to section 17 which reads:

> In the event of producers of goods taking advantage of any duty imposed under this act to increase the price of such goods to the consumer, or using any such duty to maintain prices at levels deemed by the governor in council to be higher than should prevail, having regard to general economic conditions in the country, the governor in council may reduce or remove such duty.

Mr. BENNETT: That still remains?

Mr. ILSLEY: Yes.

Resolution 1 agreed to.

2. Resolved, that the aforesaid section six of the customs tariff be further amended by striking thereout subsection eight thereof and substituting in lieu thereof the following:—

(8) The minister may make such regulations as are deemed necessary for carrying out the provisions of this section and for its enforcement, and such regulations may also provide for the exemption from special or dumping duty of any imported article when the minister is satisfied that the article or class of articles is not available at fair competitive prices in any consuming market in Canada owing to the remoteness of such market from the Canadian source of supply.

Mr. BENNETT: I think the real reason why action was taken to modify the provisions mentioned by the minister was that under the combines act power was given which previously existed in respect to that, and I believe the government of the day thought that was sufficient. Was it repealed? I think it was modified, not by the previous government but by its predecessor in office after the combines act in its present form was held to be valid by the privy council.

Mr. ILSLEY: I should like to withdraw this resolution. We have considered it and it certainly will not cover the case in its present form. I should like to ask unanimous consent that it be withdrawn. The effect will be to leave the subsection in these words:

The minister may make such regulations as are deemed necessary for carrying out the provisions of this section and for its enforcement.

It would stop there. It is just as though I am asking that all the words after "enforcement" be deleted. Those words open up a very difficult and important question.

Mr. BENNETT: The government is still protected by the general provisions with respect to the regulations?

Mr. ILSLEY: Yes.

Mr. BENNETT: That is, the general power to make regulations has not been impinged upon. As I read it I realized that it might be open to some difficulty, but after all this government regards difficulties as one of the main reasons for its existence.

Mr. DUNNING: It does.

Mr. BENNETT: It did, I think is better.

Resolution 2 withdrawn.

3. Resolved, that the aforesaid section six of the customs tariff be further amended by adding thereto the following subsection:—

(10) For the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless so made or produced in substantial quantities; and the governor in council may by order in council provide that such quantities, to be substantial, shall be sufficient to supply a certain percentage of the normal Canadian consumption and may in such order fix such percentage.

Mr. MacNICOL: What definition does the minister give to the term "substantial quantities"?

Mr. BENNETT: Is the whole of section 8 withdrawn?

Mr. ILSLEY: The whole of resolution No. 2 is withdrawn.

Mr. BENNETT: The new subsection 8?

Mr. ILSLEY: Yes.

Mr. BENNETT: Because as the law now stands it reads:

The minister may make such regulations as are deemed necessary for carrying out the provisions of this section and for its enforcement.

Mr. ILSLEY: Yes.

Mr. BENNETT: It is to be left as it was, without change.

Mr. ILSLEY: Yes. Then, with regard to resolution No. 3, the hon. member has asked my definition of the term "substantial quantities." Am I correct?

Mr. MacNICOL: Yes.

Mr. ILSLEY: The resolution provides that:

The governor in council may by order in council provide that such quantities, to be substantial, shall be sufficient to supply a certain percentage of the normal Canadian consumption and may in such order fix such percentage.

The hon. member may recollect that there was an interchange of notes with Japan whereby this government undertook that "substantial quantities" would not be regarded as substantial quantities unless the amount produced in Canada was sufficient to supply at least ten per cent of normal Canadian consumption. I anticipate that the order in council which is passed will fix that percentage as the percentage which constitutes a substantial quantity.

Mr. NEILL: Why not put it in the subsection?

Mr. BENNETT: I protest against government by order in council. The idea of any government endeavouring to deal with a matter so important as this, by order in council!

Mr. MACKENZIE (Vancouver): Hear, hear.

Mr. BENNETT: I am glad to hear that conscience has had the effect of inducing the Minister of National Revenue to recollect an echo of the past. But this should be in statute. Let there be no question about that. A note has been exchanged with the empire of Japan, and so far as we are concerned that note settles for all countries doing business with Canada what shall constitute goods made in Canada. In dealing with this country Japan cannot be placed in a more favoured position than other parts of the world. All countries must thereafter be upon a parity, and as it has been declared in the note, unless an industry in this country produces ten per cent of the consumptive requirements of Canada it is not an industry concerning which we may say that the goods produced by it are of a class or kind made in Canada. Why should this not be in the statute?

Mr. ILSLEY: Because it might be varied by agreement from time to time.

Mr. BENNETT: Yes, but it is quite clear that so far as Japan is concerned it will not be varied within the next year, because the arrangements cover a period of time.

Mr. ILSLEY: Yes.

Mr. BENNETT: Therefore this statute should cover until the next time parliament meets, so that there may be no misapprehension and so that every man who does business with the customs house and every man who starts up an industry knows where he is. And every person who does not produce ten per cent of the consumptive requirements of the country will know that until such time as parliament acts he is not within the terms and conditions of the law as we have declared it.

I said, and I repeat, that it was a great mistake to endeavour to fix that percentage in the Japanese note. However it has been done, and it having been done, this is an effort to cover it up, an effort which should not be winked at by this committee. I say that this is an effort to cover it up, to cover up something which should see the light of day. It should be clear as crystal; it should be in the statute, and not somewhere else. Since we have taken these steps, steps which, I believe, were improperly taken, the government must accept the responsibility for their action. They have the majority and must bear the consequences. They know; I do not know. But certainly they should not endeavour to cover up by this section what is now a matter of record between Japan and Canada. This is a declared policy. It was rushed out so that it would be finished before Christmas, or thereabouts; I think it was the day after Christmas. The action called for was taken, and the cries to high heaven of my hon. friend from Vancouver Centre were rewarded in due course. Now he sits in the seats of the mighty. I do not know whether he saw the records of it, but far pastures looked very green, when he was far away. However, when you get close, you are not so sure. The hon. member for Comox-Alberni says that they are still green.

The point I wish to make, and one which I think the government cannot evade, is that in view of their own protestation we must put into this statute, or into this section, the conditions of the Japanese note. It is clear that under the terms of that note those conditions will continue at least until after this parliament will have met again, and at that time if new arrangements are made they can be met. There is nothing more hurtful than insecurity and instability. Now that we have taken this step there is no doubt that we should not endeavour to cover it up, or to frame it in general terms. Rather, we should make clear beyond doubt just what is meant. Subsection 10 should read:

> For the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless so made or produced to the extent of ten per cent of the consumptive requirements of Canada; and the governor in council may by order in council—

And that is all that need be done. This is going to give to the governor in council power to modify declarations made with Japan, and to treat with discrimination other countries and special industries—

Mr. DUNNING: No.

Mr. BENNETT: Read what it says. It states:

> The governor in council may by order in council provide that such quantities, to be substantial, shall be sufficient to supply a certain percentage of the normal Canadian consumption and may in such order fix such percentage.

Mr DUNNING: But it could not possibly discriminate between countries.

Mr. BENNETT: It could not possibly, but in view of this section it could, probably. That is the difficulty, and the point I am trying to make is that, having made a declaration, the Minister of National Revenue states it is probable that ten per cent will be the figure mentioned in the order in council.

Mr. ILSLEY: I will say it will be ten per cent.

Mr. BENNETT: That makes it clear, then, and partly covers the point I make. If the hon. member will say that the order in council will contain a statement that ten per cent of the consumptive requirements of Canadians must be produced so as to meet the "made in Canada" provision, then of course that covers one of my points. But it does not cover the second point, namely, the desirability of placing provisions in a statute so that he who runs may read, and so that what was declared as a policy may be crystallized into legislation. I have not yet heard any reasons why it should not be. Perhaps the minister will enlighten me in that regard.

Mr. ILSLEY: I wish to make my position quite clear, and to do so perhaps I ought to read that part of the note to Japan which was the occasion for making this change in the act. It reads:

> The classification "goods of a class or kind made or produced in Canada," as it appears in the customs tariff, will be restricted to goods which are of a class or kind made or produced in Canada in quantities sufficient to supply at least ten per cent of the normal Canadian consumption. Adequate notice will be given of the transfer for customs purposes of a product from the category "not of a class or kind made or produced in Canada" to the category "of a class or kind made or produced in Canada."

The government of Canada will of course carry out this undertaking in the note to Japan. That means that, the government having the power after this resolution is carried into an act and becomes legislation, an order in council must and will be passed fixing at least ten per cent as the figure. I said that it probably would be ten per cent. I had not intended that it would be more than that, and I will say here and now for the purpose of definiteness that the figure in the order in council will be ten per cent. The reason for doing this by order in council instead of by statute is, as I said a few moments ago, that the percentage may be subject to change by agreement in the future, and if there should be an alteration in the agreement so as to substitute some other figure, it would be desirable for the power to exist to change by order in council to the new figure so fixed. It gives the degree of elasticity which is necessary to meet the agreements which are made with other countries.

As regards the suggestion of the right hon. gentleman that there may be some discrimination, that is impossible. Under our most favoured nation agreements we can have no discrimination. This provision must apply not only to Japan but to all other most favoured nation countries in the world. The order in council will not relate to Japan; it will relate to the percentage which will constitute a substantial quantity before goods will qualify as goods of a class or kind made or produced in Canada. It will be a very simple and short order in council, and it will be perfectly definite; everyone will know what it is, particularly if they read Hansard. This statement is quite open and public, that ten per cent has been agreed upon with Japan and will be carried into our order in council.

Mr. STEVENS: May I ask the minister a question? I admit it may seem a little improper, but if the minister so considers it, it need not embarrass him. Would such order in council be of a general nature or would it specify certain classes or types of goods?

Mr. ILSLEY: It will be of a general nature. All and any goods, in order to be considered goods of a class or kind made or produced in Canada for the purposes of section 6 or for any other purpose, must be produced in Canada in sufficient quantities to meet this ten per cent of normal Canadian consumption.

Mr. STEVENS: Has the minister considered that the figure of ten per cent might be low in respect of some goods, but very high in respect of other classes of goods?

Mr. ILSLEY: I do not know of any with regard to which it is too high.

Mr. STEVENS: Oh, I think so.

Mr. MacNICOL: I desire to ask the minister one or two questions, based upon the assumption that the ten per cent applies to importations from the United States too.

Mr. ILSLEY: Yes.

Mr. MacNICOL: Or only from Japan?

Mr. ILSLEY: The ten per cent does not apply to importations from any country. It applies to the amounts produced in Canada, but it is general in its application. We cannot apply the dumping clause, so-called, against the United States or any other most favoured nation country, on goods unless those goods are produced in Canada in sufficient quantities to supply at least ten per cent of the normal Canadian consumption.

Mr. MacNICOL: I read lately that the Japanese have got out a very special machine for the manufacture of textile articles. It is high class and very speedy. This kind of machine, of course, is not made in Canada, although we do manufacture textile machines. Naturally, Canadian manufacturers would like

to make the machine here if it were possible, but as I understand it, under this regulation, as none of these machines is made in Canada, that is, no percentage at present is being made here, the manufacturers would not be able to undertake to make this new machine as they would be up against Japanese competition which they could not meet because of wages and other conditions. It follows that that line of products is not likely to be made in this country. I could mention a score of lines of material with which I am familiar, that never would have been made in this country had the manufacturers been up against the regulation that they must have a market of ten per cent in Canada before they received any protection, for obviously they could not have any market until they began to produce. I may not be correctly interpreting the regulation. All I have in mind is that nothing should be permitted that will unnecessarily interfere with the incentive to produce in Canada.

Mr. ILSLEY: It is not correct to say that ten per cent must be produced in Canada before the industry receives any protection, because this has no relation whatever to the tariff protection that the goods receive. For instance, they may have a hundred per cent, or fifty per cent, protection under the tariff schedule even though they are not made in Canada at all, or although only one per cent of the normal Canadian consumption is supplied. The only effect this provision has is that they do not receive the additional protection of the dumping clause unless they are made in Canada in sufficient quantities to supply ten per cent of Canadian consumption.

Mr. NEILL: The dumping clause is the only protection we can get in respect of anthracite coal coming from Britain. It comes in free, of ordinary duty, and the dumping duty is the only protection our coal industry has. I had a case before the tariff board, and it was ruled that anthracite was not produced in Canada; the production being, I think, 900 tons, they simply said that it was not produced in Canada at all. They admitted that the words "a substantial quantity" used to be in the act, but had been taken out. I would point out to the minister that a quantity which might not be ten per cent all over Canada might be quite a large percentage in some particular part of Canada.

Mr. ILSLEY: The case of anthracite coal is one of the best illustrations of the need of this provision. To all intents and purposes anthracite coal is not produced in Canada. As the hon. gentleman says, 900 tons are produced, but that is a drop in the bucket; it is so small as to be almost negligible. There is a lawyers' phrase, de minimis non curat lex, meaning that the law takes no account of trifles, or has no regard for trifles. This is one of the best illustrations which could be given of the need of some provision like this, so that the department will not have to apply a dumping clause against something which to all intents and purposes is 100 per cent an imported article.

Mr. NEILL: Will the minister explain how this native industry can be built up if it has no protection whatever? It has no protection under the tariff and none under the dumping clause. How is it to be built up?

Mr. ILSLEY: There are in the country some industries that should not be built up. The hon. member will understand what I mean. That has been impressed upon me more and more in my work of the last few months, that there are some industries the cost of which to the dominion is so tremendous that they should never have received, to begin with, government assistance or encouragement.

Mr. NEILL: Does the minister suggest that that would apply to the bituminous coal mining industry of British Columbia?

Mr. ILSLEY: The bituminous mines? No.

Mr. NEILL: It is to compete with that industry that anthracite coal is brought in from Britain free of duty and free of dumping duty.

Mr. ILSLEY: The hon. gentleman is talking about anthracite coal.

Mr. NEILL: Which is competing.

Mr. ILSLEY: But only to a very slight extent.

Mr. NEILL: No; it is not necessarily to a slight extent. It can be brought in free of dumping duty, free of duty, and practically as ballast from Great Britain. Why is it not competitive? Bituminous mines in British Columbia are expensive to operate.

An hon. MEMBER: Give the British people a chance in the world.

Mr. MacNICOL: Would the minister mind giving us the names of some of the industries which should never have been built up in this country?

Mr. ILSLEY: I would not care to be drawn into a discussion of that kind.

Mr. MacNICOL: I have heard so often in this house, not from every quarter but mostly from eastern or western free traders, that certain industries should never have been built up in this country. I should like one, and if possible half a dozen of them to be named. Then we shall be able to tabulate how many men would be thrown out of work if these industries were further crucified.

Mr. BENNETT: I still think the minister should not leave that subsection as it now stands. I do not think the government should leave it in that form. The minister has made a perfectly clear statement. He proposes to pass an order in council in the terms of the Japanese agreement, and he has very properly pointed out that under our agreement with Japan we are now bound to declare, qua Japan, that any goods which are manufactured or produced in Canada and which do not fill ten per cent of our consumptive requirements are not subject to dumping duty. That is the story, because they are not of a class or kind made in Canada.

In other words we have defined those phrases, "a class or kind not made in Canada," and "a class or kind made in Canada." For the first time we have defined those phrases in exact terms. Heretofore we have never defined them, or attempted to do so. The words "substantial quantities" were used at one time, and owing to differences of opinion as to what "substantial" meant, those words were removed and the words "made in the country" replaced them. Then, when the tariff board, in the particular case to which the hon. member for Comox-Alberni had reference, determined that anthracite coal as produced in the old mine at Bankhead, Alberta, did not constitute commercial production and was so trifling that no attention should be paid to it, that definition was changed again. Now, we having made an agreement with Japan which, as the minister very properly says, will be carried out; we having committed ourselves to that, it follows that the phrase as defined in that note is now so defined with respect to all the countries of the world with which we trade and to which the phrase may apply. In other words, by reason of our having included it in the agreement with Japan every country that enjoys favoured nation treatment from us has a right to set up that provision. That means practically all the trading nations of the world, though I dare say it does not apply to Germany.

Mr. DUNNING: Would that be the practical effect? I would ask my right hon. friend to consider if the practical effect of such an order would be against any particular country.

Mr. BENNETT: I am coming to whether or not it is not necessary that it should be. That is the point I am making. In the exchange of notes with Japan we said that we would pass an order in council. What were the words?

Mr. DUNNING: Not with respect to Japanese goods.

Mr. BENNETT: In our note to Japan we made a declaration that we would pass an order in council.

Mr. DUNNING: If my right hon. friend will permit me I will read the note:

> The classification "goods of a class or kind made or produced in Canada," as it appears in the customs tariff, will be restricted to goods which are of a class or kind made or produced in Canada in quantities sufficient to supply at least ten per cent of the normal Canadian consumption. Adequate notice will be given of the transfer for customs purposes—

And so on. It is general; it does not apply to Japan only.

Mr. BENNETT: The note was addressed to Japan and, of course, in its direction to Japan, covered only Japanese imports, because that paragraph was part of the note sent to that country. Are we not bound to include that in the statute itself? Shall we have discharged our duty under that undertaking if we do less? We have said that we will do that. There is only one way in which we can do it beyond the power of repeal, except by termination of the agreement, and that is by parliamentary act. When I read the letter which the Prime Minister dispatched to the Japanese minister I certainly had no doubt that it meant parliamentary action, statutory action. I do not think anyone had any doubt as to that. Now we are told, not that but this:

> For the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless so made or produced in substantial quantities—

Once more that is the test, not the ten per cent but the substantial quantity, which is exactly what we did not say in the letter to the Japanese minister. Then this follows:

> —and the governor in council may by order in council provide that such quantities, to be substantial, shall be sufficient to supply a certain percentage of the normal Canadian consumption and may in such order fix such percentage.

That is not carrying out that agreement.

Mr. ILSLEY: If we pass the order in council it is.

Mr. BENNETT: No, because the statute says:

> For the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless so made or produced in substantial quantities—

That is not what we undertook to do. We should say, "For the purposes of this act articles shall not be deemed to be of a class or kind made in Canada unless ten per cent of the normal Canadian consumption is produced in Canada."

Mr. ILSLEY: We do exactly that when we pass the order in council.

Mr. BENNETT: But that was not what we undertook and promised.

Mr. ILSLEY: We said that we would do it.

Mr. BENNETT: But we must do it by statute.

Mr. ILSLEY: We did not say that.

Mr. BENNETT: That is the sense of that note, and I will tell the minister why. When you promise that you will do something, it is assumed, as between nations, that you do it at least in the form which gives permanency to it during the life of the agreement, but an order in council may be rescinded the day after it is passed, or the next day. That is not so with regard to a statute, which requires the three branches of government to cooperate to bring about that end.

I want to make this clear, that in the letter we wrote to Japan we undertook to define what is of a class or kind made in Canada. Having thus defined it—and I submit this as a matter of good faith—we should follow exactly the terms of that letter and say that for the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless produced in sufficient quantities to supply ten per cent of the normal Canadian consumption. That was what we said in the note, and I think it is not unreasonable to expect the statute to embody the terms of the agreement. To do otherwise is not what we promised, at any rate; to do otherwise is to leave to the executive action that, clearly, the terms of the agreement contemplated should be taken in another way. I cannot see that this is doing what we said we would do.

Mr. ILSLEY: The Japanese are interested in having their goods treated in a certain way when they enter this country, and it is a matter of complete indifference to them as whether that is done by act of parliament or by order in council so long as it is done. That is the important matter from the standpoint of Japan. Certainly it is not to be thought that a government which enters into an undertaking will violate it. This authorizes the government to carry out the undertaking; that is the intention of the government, and that is all we agreed to do.

Mr. BENNETT: I do not want to prolong the discussion, but I am sorry to hear my hon. friend adopt that view, for even during the worst moments of the depression, when we had to rely so much on the governor in council to take such action as might be necessitated from day to day, the argument which was then made was treated with contempt by the opposition of that day. Now we have the hon. gentleman saying, "We are not interested in the way in which the matter is to be accomplished. What we are interested in is whether it is being done."

Mr. ILSLEY: I said that was what Japan was interested in.

Mr. BENNETT: I am talking about Japan. For the moment I was think of Canadians; I was thinking of other people affected besides the Japanese. If this concerned only Japan I might be in a different position, but it is because I believe this will prejudicially affect a great many industries in this country, that it is desirable that this should be known at once, and that their death should not be prolonged any more than necessary, because there is no order in council at the moment. There is a letter outstanding; Japan is receiving the treatment that accords with the application of the ten per cent, but there are industries in Canada.

I now put this case to the committee: The consumptive power of this country with respect to some articles is very great in the east and very small in the west, and in some instances very small in the east and great in the west. This is a very large country. The demands of eleven million people scattered over a wide area are not easy to ascertain. A small concern in the east may be able to supply the requirements for specialized articles in the east, and on the prairie and in the west the demand may be great, so that the result is that the factories do not produce ten per cent of the entire consumptive power of Canada, although they supply sufficient to meet the requirements of that particular area. In many instances we have brought goods in from other countries sometimes free and sometimes at low duties; then the dumping

duty has been the all important thing to preserve these small industries scattered all over the country. That is to be done away with; that is done away with. The government of the day have seen fit to define the matter. I say the results are such that we cannot contemplate them; I think I can say we should not contemplate them with equanimity. But they are there. Now, is the government keeping faith with this House of Commons or with the people of Canada who are engaged in these productions unless it inserts in this section as a part of the law of Canada, not a discretionary power to a minister or the governor in council at all, but that which they have promised, namely a definition of the words "of a class or kind made or produced in Canada" and says frankly in the statute that unless ten per cent of the normal consumptive requirements of the Canadian people are produced in Canada the dumping duty does not apply? That is the real issue. It is no good to say: We are doing this by order in council. That is not as good as by statute, because with respect to the question of doing it by order in council there is always uncertainty as to when, and in the other case it is a part of the law of the country.

The language I find in the note is this:

I have the honour to inform you that the Canadian government, in accordance with its general policy respecting trade and tariff matters, has decided to make the following modification in its customs—

Mr. DUNNING: Regulations; that is what we promised.

Mr. BENNETT: That has been done only by statute heretofore, not by regulation. What the hon. minister is talking about was done by statute, and the old words "substantial quantities" were in the statute, not in an order in council; they were taken out of the statute, and it was under the statute the case was presented to the tariff board.

Now let us look at these words:

The classification "goods of a class or kind made or produced in Canada" as it appears in the customs tariff—

Not in the regulations, but, "as it appears in the customs tariff." That is what we are now amending. "As it appears in the customs tariff will be restricted"—that is a promise of legislation, not of regulation, a promise that the tariff act would be amended. The letter says "as it appears in the customs tariff" it will be changed.

Mr. DUNNING: It has been read a half a dozen times.

Mr. BENNETT: The promise of the Prime Minister of this country was that a classification "of a class or kind, as it appears in the customs tariff" would be amended.

Mr. DUNNING: Yes.

Mr. BENNETT:

—will be restricted to goods which are of a class or kind made or produced in Canada in quantities sufficient to supply at least ten per cent of the normal Canadian consumption. Adequate notice will be given of the transfer for customs purposes of a product from the category "not of a class or kind made or produced in Canada" to the category "of a class or kind made or produced in Canada."

I am prepared to leave it to any judge in the world whether that does not contemplate the amendment of a statute, and not a regulation, the action of parliament, not of the executive.

The other questions are those of production and valuation of their money, and appeal to the tariff board, and then look at the top of page 4, paragraph 3:

In computing the value for ordinary duty and for special duty under section 6 of the customs tariff—

Mr. DUNNING: But we are not amending the statute to carry that out.

Mr. BENNETT: Then all I can say is you do not have to do that because you have the power to enter into an agreement with respect to it, which has been done. That part is not difficult to understand. But when you turn to paragraph 2, leave it to any judge you like or to the tariff board or to any other tribunal; can any other meaning be derived from that than the one simple meaning, that this contemplates an amendment by parliament of a statute, namely the customs tariff? How otherwise can you take those words than as they appear in the customs tariff and restrict them to the meaning given to them? I had no doubt as to how that was to be done until I read this section. I think I am doing only what is my bounden duty in saying that as far as it is possible we call upon the government to carry into effect the plain meaning of paragraph 2 of that letter, and to amend the tariff act in accordance with the proposals of the Prime Minister.

Some hon. MEMBERS: Carried.

Mr. BENNETT: No. It is of course impossible in the face of the majority which exists to do more than say that that is not implementing the terms of a letter which says in its very terms that it is dealing with the customs tariff—"as it appears in the customs tariff." Is there any method by which that can be done other than in the

way I have mentioned, namely by a statute in accordance with the act that now exists, as modified and amended. That is, the old one disappears and the new one takes its place, but the new one that takes its place is one which provides in terms not for someone else but for parliament to do it. What is more, if that is not in accordance with the principles of Liberalism as declared from this side of the house, I am unable to appreciate what they were. If a Conservative government had made proposals such as are contained in this statute, how the welkin would have rung! I direct attention to the plain undertaking of the Prime Minister of Canada, that certain words contained in the customs tariff will be restricted to one meaning and one only, and that parliament is going to do this; it is not to be left to the executive, or to the governor in council, or to someone else, but parliament itself is going to give effect to those words.

Mr. DUNNING: Well, in case there should be on the part of any country a belief that because of the opinion expressed by the right hon. leader of the opposition Canada is not carrying out the express terms of an undertaking solemnly given, I must on behalf of the government repudiate any such suggestion, and in doing so I need only quote from the letter itself:

> Sir, I have the honour to inform you that the Canadian government, in accordance with its general policy respecting trade and tariff matters, has decided to make the following modifications in its customs regulations—

The Canadian government proposes "to make the following modifications in its customs regulations." Certainly the country receiving that message did not expect an act of parliament. It relied upon the good faith of the government of Canada to give effect, in the manner appropriate to Canadian conditions to the undertaking which the government of Canada had given.

Now, with respect to the other point, as to the power which is being extended to the executive by this amendment, and which is calling forth such condemnation by my right hon. friend, might I point out that it is a power to do what? To reduce the burden of the tariff. That is what it is; it is a power to reduce. It is a power which can be used to ensure that the dumping provisions of the law shall not be applied in cases where the quantity of the goods specified produced in Canada is so small as to have no real place in our commerce and industry. The case of anthracite coal cited by my hon. friend is an excellent illustration. I am sure he would not argue that because it was found that 900 tons of anthracite coal were produced somewhere in Canada, therefore all users of British anthracite coal should be compelled to pay a dump duty in addition to the price.



The argument in respect to duty is a different argument altogether, as I am sure my hon. friend from Comox-Alberni realizes. If he cares to argue that because we desire to encourage coal mining in Canada, therefore British anthracite coal should not be imported, that at least is arguable, but I am reasonably sure he would not argue that because someone somewhere in Canada produces 900 tons of anthracite coal, therefore all users of imported anthracite should be compelled to pay a higher price for the article they are importing. What is true in the case of anthracite coal has been true in connection with other commodities. That is the complaint, and the proposal is simply this, as a practical matter to carry into the law the principle stated in the note to Japan, but leaving liberty to the governor in council to determine the percentage. That liberty will be indicated in the manner indicated by the Minister of National Revenue. In the first instance, the percentage specified will be ten per cent because we have so agreed with Japan.

Mr. BENNETT: Not less than ten per cent.

Mr. DUNNING: Quantities sufficient to supply at least ten per cent, yes; that is the phraseology. Let us consider it as a practical question. We are here endeavouring for the first time to define the quantity. The Minister of National Revenue and his officers have used the best judgment of which they are capable in setting it at ten per cent, without, remember, having had experience in trying to set a percentage basis, and we have said to Japan, in order to get on a friendly trading basis with her once more, that we will set it at ten per cent. But does that mean that if, as a result of experience with ten per cent as the limit, we find that it is injurious to Canadian industry, on the one hand, or to Canadian consumers, on the other we are not to be at liberty to approach Japan and point out in connection with this single undertaking that embarrassing conditions are being created in Canada and that, therefore, we would like to be released from the obligation or to change it in some particular? That is the reason for the proposal of the government that the actual percentage should be determined by order in council, without in any way at all intending to go back in the slightest degree on our undertaking with Japan, but it leaves us at liberty to negotiate with

the country to which we gave the undertaking if during the course of weeks or months that undertaking should prove to be one which ought not to be expressed in these precise terms but in some other. Experience, in other words, will be the guide, and I suggest to the committee that inasmuch as the power conferred is a power to reduce the burden of taxation, it is not a dangerous power to place within the hands of the executive.

Mr. STEVENS: May I ask the minister this question? Is it proposed that this new subsection 10 shall apply in the tariff to other than section 6 of the tariff act, namely, the dumping clause?

Mr. ILSLEY: Yes; the words are:

For the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless so made or produced in substantial quantities; and the governor in council may by order in council provide—

And so forth. This act includes not only section 6 of the customs tariff but also all the schedules of the customs tariff.

Mr. STEVENS: May I suggest to the minister that if this new subsection 10 is intended to apply to the whole act it should be a separate section instead of a subsection of section 6? Section 6 is limited; it is the well known dumping clause of the tariff act, and it would appear to me that if you make this a subsection of section 6 you will limit its application to section 6. To put the matter in another way, it would be more proper, I think, if it were made a separate section of the tariff act.

Mr. ILSLEY: That is a problem of draftsmanship more than anything else, but wherever the words appear they can mean only one thing. Subsection 10 reads:

For the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless made or produced in substantial quantities—

And so on.

Mr. STEVENS: The reason I asked the question was this: The argument regarding the application of the duty is based upon section 6, namely the dumping clause. It will be found, if examination is made of the schedules of the tariff act, that many items are specifically referred to as of a class or kind made in Canada.

Mr. DUNNING: Not a great many.

Mr. STEVENS: But there are some where that is stated in the item itself, and if this is passed as a subsection I question whether it will be applicable to such items. The letter from Japan intimates that it will, but I doubt whether by this method the government are making it applicable.

Mr. ILSLEY: The letter to Japan covered not only section 6 of the customs tariff but everything.

Mr. STEVENS: That is what I say.

Mr. BENNETT: Section 43, for instance.

Mr. ILSLEY: The letter to Japan referred to the classification as it appears in the customs tariff; that is the whole of the customs tariff, and this provision, I feel sure, carries out that undertaking. The fact that this appears as a subsection of one section does not take away from the force or the power of the words because the words used are "for the purposes of this act," and that carries through the whole act, schedules and all.

Mr. STEVENS: I do not want unduly to press the point but certainly I should like to have seen that point submitted to the law officers of the crown. If the committee will read section 6 they will see that each of its subsections deals with matters pertaining to section 6. It is very lengthy and I am not going to read it, but it is quite clear on reading them that they apply to section 6. For instance, subsection 9 of section 6 reads:

(b) Any order in council made hereunder may be varied, extended or revoked at any time by the governor in council.

(c) This subsection shall be deemed to have had effect from and after the first day of September, 1931.

That applies only to subsection 9 of section 6. Now we come along and insert subsection 10 following these other subsections, which completes the section undoubtedly so far as draftsmanship is concerned. But, by its very wording, "for the purposes of this act," it means the whole act and should be a separate section instead of simply a subsection of section 6. I would suggest to the minister that, before we pass this, it might be once more submitted to the law officers of the crown in the light of what I have said.

Mr. ILSLEY: I thank the hon. gentleman for bringing the point to our attention, but the proper course I suggest is to pass the resolution. Regarding the point raised I will undertake to submit it to the law officers before the bill is brought into the house. There will have to be a bill based upon the resolution.

Mr. NEILL: The minister said that the question which was raised about 900 tons of anthracite was a very good illustration of the

need for this subsection. There is another aspect of it which I would bring to the attention of the committee. We have bituminous coal mines on Vancouver Island which are deep and expensive to work. Their market is principally in the cities on the coast. The government of the day made an agreement with Great Britain whereby anthracite coal could be brought in free of duty. It also made an agreement under which it was, if not profitable, at least convenient to take wheat out from Vancouver in ships. The result was that some ships found it necessary to come out in ballast, and they would bring out British anthracite coal at very low rates in lieu of ballast. The production of British anthracite coal is subsidized by the government to a considerable extent. The coal was allowed to come in free of duty; it was subsidized by the government in its production; it was carried for little more than ballast rates and was landed in Vancouver to compete with the local coal which was expensive to mine. We thought we still had a dumping duty to fall back on. When I took the case before the tariff board this clause was not in the act, but they threw out the case although the words "in substantial quantities" were not there. They simply ruled that this coal was not produced in Canada. I offered evidence that 900 tons had been produced last year, but that did not avail. I produced evidence that in years gone by the production had been much larger. I am speaking from a somewhat treacherous memory, but some years before I believe it ran to something like 126,000 tons annually. That was the production a matter of some ten or twelve years before.

What happened is not for me to say. Possibly times got bad or there may have been a lack of capital. Possibly there was competition from other mines which were able to obtain better rail rates. At any rate the production went down. But this is a Canadian institution. The present production is only 900 tons, but how are we going to build it up to its former level of 126,000 tons? Are we going to allow this British coal, subsidized in its production and brought out at little more than the cost of ballast, to come in free of duty and free of dumping duty? The Minister of Finance says quite truly that this is an argument to place a duty on anthracite coal, but we are prevented from doing that by the British agreement. Our only protection is to fall back on the dumping duty. I considered that we got a raw deal from the tariff board when they practically said that no coal was being produced. They could not use the words "in substantial quantity," because they had been taken out of the act. Notwithstanding the objection made by the leader of the opposition, I contend that this ten per cent is too high.

I just want to place the situation before the Minister of National Revenue and the Minister of Finance. I need not go into the evidence. To some extent shipments of coal from Great Britain fell off, but there is nothing in the world to prevent their being increased. In that case it will be disastrous for our local coal mines. The Minister of National Revenue said our coal and the British anthracite served different purposes, but I do not think so. Our main mine serves a purely domestic market, although some of our mines produce coal for bunkering purposes. A great deal of the coal mined at Nanaimo has to go to Vancouver. If every housewife in Vancouver realized the superior qualities of anthracite coal, they would adapt their furnaces to its use. That has been the main obstacle in the use of this coal; the furnaces are not adapted. In the meantime sales have fallen off, but with the assurance in this act that they will never be troubled with a dumping duty, there will be considerable encouragement to go ahead. That is the situation, viewing it from a local angle. I think it is a different picture when I put it in that way.

Mr. STEWART: Does the minister think the provisions of paragraph 5 in the note to Japan can be carried out by regulation? This paragraph reads:

> Opportunity will be afforded for appeal to the tariff board of Canada respecting any value for duty which may in future be established under section 43 of the Customs Act. In the event of such an appeal the value for duty in force will, upon the expiration of three months after the date of appeal, cease to have any force or effect unless the tariff board, following a public inquiry, finds that such value or some lower value is required to prevent the importation of the goods into Canada from prejudiciously or injuriously affecting the interests of Canadian producers or manufacturers. If a lower value is found by the tariff board to be appropriate such lower value will promptly be made effective.

Mr. ILSLEY: That undertaking has been carried out by regulation, by amending the Customs Act. It could have been done by order in council under the Tariff Board Act.

Mr. STEWART: We regulate our customs by an act of parliament, which is the proper way, and we regulate administration by orders in council and by regulations passed under the provisions of the act. To show that this is not simply an amendment of customs regu-

lations, the government has amended the act of parliament providing for proceedings before the tariff board. I do not think the contention of the Minister of Finance that this amounts simply to a change or an amendment of the regulation is well founded. I submit that the government should put in the act an amendment about this ten per cent. All along we have heard that the tariff ought to be made certain; that there should be no uncertainty about it; that if there was a change of government all this possibility of change in the tariff by order in council would disappear, and that he who ran might possibly read the provisions. As the minister of Finance has pointed out, the effect of this is to make the tariff subject to change. In order to carry out the meaning of the law, this ten per cent should be embodied in the act.

Mr. BENNETT: There was one thing the minister did and that was to answer himself. The cuttlefish when pursued is always careful so to obscure the waters that he cannot be followed. We can pass by the hon. gentleman's appeal about the reduction in price, the aid to the consumer and all that sort of thing. Let us look at what was done and find the answer to his whole argument. He said that all they were going to do was to take action by regulation, but we are now considering an amendment to an act of parliament.

Mr. DUNNING: To make the regulation possible.

Mr. BENNETT: Not at all, excuse me. The minister as usual has made an impassioned speech. He called upon high heaven to witness his concern for the poor, suffering consumer and at the same time he pointed out that all they promised to do was to deal with the regulations. That is all the minister did promise; he merely suggested that we should amend the regulations. We are now considering an amendment to an act of parliament. That is not dealing with regulations.

Mr. DUNNING: Oh, yes.

Mr. BENNETT: Not at all. It deals with an order in council and not with regulations. It deals with a statute; it deals with subsection 10 of section 6 of the act. That subsection constitutes my complaint. The Prime Minister promised that he would make the necessary changes, and now his government introduces a statute providing what? There is no reference to ten per cent? No. There is no reference to that being the quantity? No. But that is what he promised. Now we have a statute introduced, and what does it say? It says:

> For the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless so made or produced in substantial quantities.

And then the minister states, "We will determine what the substantial quantities will be." That is what was said to Japan. He said to Japan, "I promise that we will reduce that to at least ten per cent." But this resolution does not make that declaration, either by regulation, by order or by statute. As I say, the minister has promptly proceeded—

Mr. DUNNING: The promise is being carried out.

Mr. BENNETT: The minister says that the promise is being carried out. What has that to do with the matter? The answer is that the terms are contained in a letter written by the Dominion of Canada to the empire of Japan, and the promise was that the government would make these changes. The fact that they carried this into effect by executive direction until parliament met is one point to be considered, but now parliament has endeavoured to deal with the matter by statute. What was said by the hon. member for Kootenay East is perfectly true, namely, that this applies to the whole act. All that is necessary to do is to make it so that it would no longer be subsection 10; it could be a new section; probably paragraph (a) of some other section would do.

Mr. DUNNING: I think so.

Mr. BENNETT: I should think so; that would be all that would be necessary. Possibly it could be made section 2A or section 3A, and that would cover the situation. But so far as possible I must insist upon placing ourselves on record to the effect that we have endeavoured to meet the conditions which we must impose upon ourselves because of our letter to Japan. In the amendment to the statute we have made no reference to ten per cent. Instead of ten per cent we have mentioned "substantial quantities"; for ten per cent we have substituted a provision enabling the governor in council to provide that that expression may mean something more, and we have covered it up, cuttlefish-like, with the statement that if we find it works out badly we may be able to induce the Japanese to change their minds and help us out.

Mr. DUNNING: I did not say that.

Mr. BENNETT: That is the sense of the minister's observations.

Mr. DUNNING: The cuttlefish is now at work.

Mr. BENNETT: All the minister has to do is look at what he said, and he will find that I am correct.

One word more. I have to answer a point raised by the hon. member for Comox-Alberni. The colliery to which he referred has been abandoned. It was abandoned not for lack of capital. May I observe that it belonged to the Canadian Pacific Railway. It was abandoned because measures had petered out, and houses had been moved. The mine had been abandoned, and there are pickings taken from the dump and some excavations not far from the surface from which this 900 tons of coal was taken. That is the story about Bankhead. Therefore, so far as that case is concerned, I do not think there is much in it. But that has nothing to do with the essential fact that we have come to the parliament of Canada with a statute, and that statute does not contain what we promised, namely, that ten per cent would be the determining factor. Unless it does, all I can say is that while your majority may say no, we are bound to protest against a promise that has been made and is not being kept. The minister may call out to high heaven that that is a reflection upon the honour of his country, and all that sort of thing, if he wishes. But the ink is not any good; it does not darken the view; one can see straight through. The government are alarmed at what they have said, and want to get out of it, if it is possible to do so.

Mr. DUNNING: No.

Mr. BENNETT: And they look for a loophole. Finding it will not work satisfactorily, they say, "We will go to Japan and say, 'It has not worked out very well; let this go.'" And, of course, having been inspired by high heaven with this high impulse, they, as good neighbours, will at once yield to the view suggested and, if desirable, make it two per cent or three per cent. But remember always that the keynote of all the discussions is this: Just think what we are doing for the consumer.

Mr. DUNNING: Yes.

Mr. BENNETT: Yes? Well, a few more idle people and a few more on relief will probably induce the consumer to believe that it is perhaps more desirable to supply employment than to supply relief.

[Mr. Dunning.]

The CHAIRMAN: Is the resolution carried?

Mr. BENNETT: No; we can only say no.

Mr. DUNNING: Is it carried?

Mr. BENNETT: On division.

Mr. NEILL: The leader of the opposition spoiled my perfectly good argument.

Mr. BENNETT: No, I do not think so.

Mr. NEILL: I would point out that we have heard of mines that could be rehabilitated. We have heard of mines that have been scratched on the surface and, if encouraged by suitable provisions in the tariff, it meant that those mines could be brought back again, and that new areas could be developed. It is quite possible that in the case of the mine to which the right hon. gentleman refers they had taken only the immediate portion which was readily available and that had the demand in the market justified it, a further extension could have been made and a greater demand would have been produced. However, the argument I advanced was not so much on behalf of the Bankhead mine—and there are others in the vicinity I will not mention—as it was with regard to our coal mines on the Pacific coast. It was our hope that there would be a dumping duty imposed on British anthracite for the protection of our bituminous coal mines, which were running up against the competition of subsidized British coal, to which I have referred. Is that fair competition? It is brought out at less than the regular freight rate, and it is entering our competitive market free of duty. That is the situation.

Resolution 3 agreed to on division.

Resolved, that the French version of tariff item 691 of schedule A to the customs tariff, being chapter forty-four of the revised statutes of Canada, 1927, as enacted by section five of chapter twenty-eight of the statutes of 1935, be amended by striking out the word "croix" in the second line of the said item and substituting therefor the word "crosses."

Resolution agreed to.

Mr. DUNNING: Probably we should consider the Excise Act.

Mr. STEVENS: While the minister is preparing to discuss the Excise Act, may I ask him to bring to the house certain information which will be available when we come to resolution 5 of the group of resolutions we have been considering, that is, the resolution repealing a large number of items. A number of these items will undoubtedly be consoli-

dated and will appear in composite form in the amended schedule to the tariff. Already I have noticed one or two. Where such occurs would the minister be prepared to inform the committee just what items have been so consolidated, and the reasons therefor?

Mr. DUNNING: I think that is carried out already, if my hon. friend will go through the items. If it is not, I shall be in a position to deal with it.

Mr. STEVENS: No, it is not carried out there. It is merely given in the form of figures, and no explanation.

Mr. BENNETT: The number of the tariff item does not appear.

Mr. DUNNING: Is it the numbers that my hon. friend from Kootenay East would like to get?

Mr. STEVENS: Yes, and in addition to that, the reason for the consolidation. I will not go into the matter now, but there are definite reasons why that should be done.

EXCISE ACT

Resolved, that it is expedient to introduce a measure to amend the schedule to The Excise Act, 1934, as amended by chapter twenty-nine of the statutes of 1935 and to provide:—

1. That the duty of excise on Canadian brandy be reduced from four dollars to three dollars per proof gallon;

2. That the duty of excise imposed upon spirits used in the manufacture of patent and proprietary medicines, extracts, essences and pharmaceutical preparations be reduced from two dollars and fifty cents to one dollar and fifty cents per proof gallon;

3. That the duty of excise imposed upon spirits, sold to licensed druggists and used exclusively in the preparation of prescriptions for medicines and pharmaceutical preparations be reduced from two dollars and fifty cents to one dollar and fifty cents per proof gallon;

4. That paragraphs (d) and (e) of section six of the said schedule, being the duties imposed upon imported leaf tobacco unstemmed and imported leaf tobacco stemmed be repealed;

5. That any enactment founded on paragraphs one, two, three and four of this resolution shall be deemed to have come into force on the second day of May, 1936.

Mr. BENNETT: Perhaps it would be well to deal with the resolution paragraph by paragraph.

Mr. DUNNING: The right hon. gentleman prefers to take each paragraph separately?

Mr. BENNETT: Yes.

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1. Resolved, that it is expedient to introduce a measure to amend the schedule to the Excise Act, 1934, as amended by chapter twenty-nine of the statutes of 1935 and to provide:—

1. That the duty of excise on Canadian brandy be reduced from four dollars to three dollars per proof gallon.

Mr. DUNNING: With regard to the change in the excise duty on spirits, it will be remembered that in last year's budget the domestic excise duty on spirits was reduced from $7 a gallon to $4 a gallon. At the same time the customs duty on spirits under the British preference was reduced from $8 to $5. Under the previously existing rate, brandy from Australia and New Zealand enjoyed a $6 rate on imports. This differential of $2 as compared with the British preferential rate of $8 is fixed by the terms of the agreement. It is provided in the agreement that the $2 spread as compared with the British preference shall be coincident. Accordingly, under the customs tariff as it now stands, brandy from these two countries may be imported under the $3 a gallon duty, while domestic producers of brandy are still required to pay $4 a gallon domestic excise duty, and the reduction here is for the purpose of equalizing the rate of excise upon Canadian domestic brandy with brandy imported under the customs tariff from these two countries.

Mr. BENNETT: What do we produce in this country in the way of brandy?

Mr. DUNNING: The production is not large. I understand three firms are making it, but no separate statistics are kept to date of its production in Canada.

Mr. BENNETT: Of course, so far as the excise payable of $3 against the $4, the reducing of it to $3 is concerned, the import charges from Australia and New Zealand have to be reckoned with. There was not a difference of a dollar; there was only the difference between a dollar and that portion of it which covered freight and insurance and the cost of transporting the brandy from Australia and New Zealand.

Mr. DUNNING: Rather a wide spread for that purpose, is it not?

Mr. BENNETT: Oh, a dollar a gallon would be large, but not very large.

Paragraph agreed to.

2. That the duty of excise imposed upon spirits used in the manufacture of patent and proprietary medicines, extracts, essences and pharmaceutical preparations be reduced from two dollars and fifty cents to one dollar and fifty cents per proof gallon.

Mr. DUNNING: This change is to establish a uniform rate for spirits used for pharmaceutical purposes with the rate at present existing for spirits used in the manufacture of perfumes.

Mr. STEVENS: I understand that this is limited to manufacturers, and the word "manufacturers," I understand, is defined—my definition may not be exact—as bona fide or large manufacturing concerns, as distinct from the chemist who from time immemorial in his own dispensary formerly was in the habit of manufacturing many medicinal concoctions in which spirits were involved. I am informed that ordinary chemists or chemist's shops or drug stores, if you like to call them so, where they put up prescriptions and so forth, cannot now manufacture for sale in their own shops many of these articles that formerly were so manufactured or so prepared, because they have to pay the high retail price for the spirits so used. I ask the minister if it is not possible to extend the definition of "manufacturers" to bona fide chemists putting up medicines for their own sales.

Mr. BENNETT: Is that not covered by the next section, which reduces it down to the same rate, a dollar and a half?

Mr. STEVENS: I was told this past week that most of the druggists—I am speaking of bona fide chemists who have little dispensaries attached to their drug stores—have been forced to give up the preparation of cough medicines. Many of them, particularly in the smaller towns, who put up their own little cough medicines, have been forced to buy these preparations from large manufacturing concerns. Unless this paragraph 3 is entirely new—

Mr. DUNNING: The next paragraph is the one.

Mr. STEVENS: Is this entirely new?

Mr. DUNNING: It is a reduction on the very thing my hon. friend is speaking of.

Mr. STEVENS: I am told that they cannot get it; that this is limited to the manufacturer.

Mr. DUNNING: Perhaps my hon. friend will allow me to pass paragraph 2 and deal with his point on paragraph 3, where it belongs, the paragraph which specifically mentions druggists.

Paragraph agreed to.

[Mr. Bennett.]

3. That the duty of excise imposed upon spirits, sold to licensed druggists and used exclusively in the preparation of prescriptions for medicines and pharmaceutical preparations be reduced from two dollars and fifty cents to one dollar and fifty cents per proof gallon.

Mr. DUNNING: I am advised that any druggist—any chemist, I think was the term my hon. friend used—can get a licence which will enable him to take advantage of the provisions of this section.

Mr. STEVENS: Limited, of course, to prescriptions and pharmaceutical preparations.

Mr. DUNNING: That is pretty broad, is it not?

Mr. BARBER: I think the trouble is that a druggist or chemist necessarily must purchase a certain quantity, five or ten gallons. I think that is where the objection arises.

Mr. DUNNING: The commissioner advises me that five gallons is the minimum purchase.

Mr. BARBER: I think that is the trouble.

Mr. DUNNING: I suppose it is difficult to administer smaller quantities.

Mr. BENNETT: Under existing conditions in the provinces the druggist buys the spirits largely from the licensed vendors, from the government liquor shops in many cases—I think, in all cases now in the western provinces—and it seems to me that he should be allowed to buy as small a quantity as a gallon. There is no difficulty in respect of administration, is there?

Mr. HOWDEN: With all due deference to the hon. member opposite (Mr. Barber), who is a druggist, I think I can say without fear of contradiction that it is very many years since ordinary chemists have used alcohol in the preparation of tinctures or anything of the kind in retail trade. They buy these preparations from the wholesalers, and the only use that I know of for spirits in the retail drug trade is to supply occasional prescriptions from medical men.

Mr. BARBER: With all due deference to the medical man on the other side (Mr. Howden), I have been in the business for thirty years or more, and have practised in his province as well as my own. I know that to-day in many sections the druggists are manufacturing all their tinctures and many of their pharmaceutical preparations. They have been forced to do that. In the past the drawback has been that they had to purchase alcohol in large quantities at a very high

price, and it did not pay them to make the tinctures. Perhaps five gallons would be a satisfactory quantity, and that would permit the druggists to continue to manufacture their tinctures and pharmaceutical preparations. I can assure the last speaker that leading druggists throughout all the provinces do a considerable amount of manufacturing at the present time.

Mr. DUNNING: Do I understand my hon. friend to say that he regards a five gallon limitation as satisfactory?

Mr. BARBER: I think that would be all right, at the present price.

Mr. DUNNING: Well, this discussion will ensure that the department concerned will look into the possibility of any hardship as indicated by the hon. member for Kootenay East. It is a matter of regulation with respect to quantities and so forth, and a note will be made of this point.

Mr. DONNELLY: Is the druggist required to apply for a licence?

Mr. DUNNING: Yes.

Mr. DONNELLY: Is there any charge for it?

Mr. DUNNING: Two dollars per annum.

Paragraph agreed to.

4. That paragraphs (d) and (e) of section six of the said schedule, being the duties imposed upon imported leaf tobacco unstemmed and imported leaf tobacco stemmed be repealed.

Mr. BENNETT: May we have a little explanation about this?

Mr. DUNNING: The explanation is that this involves a transfer from the Excise Act to the customs tariff at precisely the same rates, for the reason that it applies entirely to an imported article. From a ministerial point of view it is considered better to have it as a customs item rather than an excise item.

Mr. STEWART: Is provision made in the customs tariff for this?

Mr. DUNNING: Yes. My right hon. friend will remember that there is a provision for preference on certain types of tobacco, such as Rhodesian tobacco of a Turkish type, and that also entails considerations which touch this matter.

Paragraph agreed to.

Paragraph 5 agreed to.

Resolution agreed to.

SPECIAL WAR REVENUE ACT

Resolved, that it is expedient to introduce a measure to amend the Special War Revenue Act, chapter one hundred and seventy-nine of the revised statutes of Canada, 1927, and amendments thereto and to provide:—

1. That part VII of the said act be amended to provide for the taxation of every change of ownership of any participating interest in the operations or profits of any association, company, corporation, fund or trust not divided into shares at the rate of one-tenth of one per cent of the value of every such participating interest so transferred or assigned.

Mr. BENNETT: Does this include devolution by operation of law, that is, either the executor or the administrator?

Mr. DUNNING: It is not desgined for that particular purpose. It is designed to tax participating interests.

Mr. BENNETT: I know what it is.

Mr. DUNNING: It will not apply to devolution of estates.

Mr. BENNETT: It usually does not, as a matter of fact. The minister knows it is not customary to impose that tax on transfers by operation of law. There are two forms of transfer, one by act of the parties and the other by operation of law. This, I take it, was originally intended to tax transfers by acts of the parties, not those by operation of law. It usually has been the practice to make an exception in respect of transmissions. I think in the other provisions of the statute transmissions are free from this tax, because they are brought about not by acts of the parties but by operation of law.

Mr. DUNNING: I am advised that there is no change in that respect.

Mr. BENNETT: Will this resolution not make the change? That is what I am pointing out. You see, "every change of ownership" is covered here.

Mr. DUNNING: That is the same phrase which is used elsewhere.

Mr. BENNETT: Is there a general clause covering it all? Undoubtedly there is a clear distinction between the two, and I think there should be a general clause if there is not. I happened to have this matter brought to my attention not long ago by someone who does not live in this country.

Mr. ILSLEY: The section dealing with the sale or transfer of stock is section 58 of the Special War Revenue Act, and it starts with the words:

There shall be imposed, levied and collected upon every change of ownership consequent upon the sale, transfer or assignment of any share of stock of any association, company or corporation—

And so on. I assume that the wording of the proposed bill will be the same, although the resolution shortens it. This is merely a resolution.

Mr. DUNNING: We will watch that point in drafting the bill.

Mr. BENNETT: "Every change of ownership" is the way it appears in the resolution.

Mr. ILSLEY: It is not intended to make any difference in principle.

Mr. BENNETT: That is why I mentioned the matter.

Mr. ILSLEY: We shall have to watch the drafting of the bill.

Mr. BENNETT: I suppose this covers syndicates and matters of that kind?

Mr. DUNNING: Yes.

Paragraph agreed to.

2. That subsection two of section seventy-seven A of the said act, as amended by section twelve of chapter fifty of the statutes of 1932-33 and amended by section two of chapter forty-two of the statutes of 1934, be further amended by providing that the excise tax on packages of cigarette paper tubes be reduced from three cents to two cents for each one hundred cigarette paper tubes or fraction thereof;

Mr. BENNETT: Why is this done?

Mr. DUNNING: It is just equalizing the papers and the tubes.

Paragraph agreed to.

Progress reported.

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

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## Monday, May 18, 1936

The house met at three o'clock.

### CUSTOMS ACT AMENDMENT

Hon. J. L. ILSLEY (Minister of National Revenue) moved for leave to introduce Bill No. 67, to amend the Customs Act (Canadian waters).

Some hon. MEMBERS: Explain.

Mr. ILSLEY: It will be remembered that earlier in the session a bill was introduced to amend the Customs Act and that a number of sections were withdrawn. This bill is designed to serve the same purposes as it was intended those other sections would serve. This bill defines the word "officer" as used in the Customs Act and contains a definition of Canadian waters and Canadian customs waters. It imposes certain obligations on ships and masters in Canadian waters and in Canadian customs waters. It confers upon the preventive officers certain powers and defines other powers of these officers. Generally it is designed to strengthen the preventive arm of the customs service.

Mr. CAHAN: Do the definitions apply exclusively to the administration of the Customs Act, or does the bill define Canadian waters for purposes other than for the purposes of the Customs Act

Mr. ILSLEY: I do not think the terms "Canadian waters" and "Canadian customs waters" are used in any other act than the Customs Act. The terms used in other acts are such terms as these: "the territorial waters of Canada," "the waters of the territory of Canada," "the three mile limit," "the marine league," and so on. But here we are framing definitions for the purpose of use in the Customs Act.

Motion agreed to and bill read the first time.

### CARRIAGE OF GOODS BY WATER

Hon. C. D. HOWE (Minister of Marine) moved for leave to introduce Bill No. 68, respecting the carriage of goods by water.

Some hon. MEMBERS: Explain.

Mr. HOWE: Mr. Speaker, the purpose of this bill is to repeal the Carriage of Goods by Water Act of 1910, and to substitute for it an act modelled on the British Carriage of Goods Act of 1926. The United States has recently adopted the British act instead of its former Carriage of Goods Act, and there seem to be many reasons why Canada should do likewise. I may say that every shipping interest in Canada has applied to the government to take this action. The position has been accentuated by the Sarniadoc case, in which the owner was not able to collect insurance due to the insurance company taking advantage of the "seaworthy" clause in the act, although "seaworthiness" had no relation to the nature of the loss.

Motion agreed to and bill read the first time.

### QUESTIONS

(Questions answered orally are indicated by an asterisk.)

#### FARM LOAN BOARD—REGINA

Mr. PERLEY (Qu'Appelle):

With respect to question answered on April 27 last, regarding the retirement of Mr. Anderson from the farm loan board at Regina:

1. In what detail were his services not satisfactory?
2. Were any loans made through the Regina office from the first of January to the date of Mr. Anderson's dismissal?
3. If so, were they not confirmed by head office?

Mr. DUNNING:

1. The board has nothing further to add to the information previously furnished on this matter.
2. Yes.
3. A number of the loans so made were approved by head office on the recommendation of the Regina office.

VILLEMONTEL, QUE., POSTMASTERSHIP

Mr. WERMENLINGER:

1. Has the postmaster at Villemontel, Chapleau county, been discharged?
2. If so, for what reasons, and on whose recommendation?

Mr. ELLIOTT (Middlesex):

1. Removal authorized but not yet effected.
2. Unsatisfactory management; decision based on findings of district director of postal service.

FIRE WOOD EXPORTS

Mr. LALONDE:

1. How many cords of fire wood (cord wood) were exported from Canada to the United States during the months of January, February, March and April, 1935, and for the corresponding months in 1936?
2. What was the average price per cord paid by the purchasers?

Mr. EULER: 1. and 2. Canada's domestic exports of fire wood, by countries, from January 1 to April 30, 1935, with the average export value, were as under:—

| Countries | Jan. 1—April 30, 1935 Cords | $ | Average Export Value $ |
|---|---|---|---|
| United States... | 18,274 | 84,081 | 4.60 |
| Alaska.. .. .. . | 35 | 279 | 7.97 |
| Bermuda.. .. .. | 7 | 56 | 8.00 |
| Total.. .. .. | 18,316 | 84,416 | 4.61 |

Canada's domestic exports of fire wood, by countries, from January 1 to April 30, 1936, with the average export value, were as under:—

| Countries | Jan. 1—April 30, 1936 Cords | $ | Average Export Value $ |
|---|---|---|---|
| United States... | 16,914 | 72,241 | 4.27 |
| Alaska.. .. .. . | 24 | 192 | 8.00 |
| Total.. .. ... | 16,938 | 72,433 | 4.28 |

HAY EXPORTS

Mr. LALONDE:

1. What was the total number of tons of hay exported from Canada during the months of January, February, March and April, 1936, and to what countries?
2. What was the average price per ton paid by each importing country?

Mr. EULER: 1. and 2. Canada's domestic exports of hay by countries from January 1 to April 30, 1936, with the average export value, were as under:—

| Countries | Jan. 1—April 30, 1936 Tons | $ | Average Export Value $ |
|---|---|---|---|
| United Kingdom. .. | 784 | 11,670 | 14.89 |
| United States. .. .. | 2,540 | 16,968 | 6.68 |
| China.. .. .. .. .. | 14 | 267 | 19.07 |
| St. Pierre and Miquelon.. .. .. | 76 | 954 | 12.55 |
| Panama.. .. .. .. | 24 | 160 | 6.67 |
| Bermuda.. .. .. | 443 | 5,045 | 11.39 |
| British Straits Settlements.. .. | 16 | 432 | 27.00 |
| British Guiana.. .. | 4 | 78 | 19.50 |
| British Honduras. .. | 2 | 23 | 11.50 |
| Barbados.. .. .. .. | 32 | 350 | 10.94 |
| Jamaica.. .. .. .. | 33 | 311 | 9.42 |
| Other British West Indies.. .. .. .. | 2 | 10 | 5.00 |
| Hong Kong.. .. .. | 35 | 780 | 22.29 |
| Newfoundland... .. | 809 | 8,301 | 10.26 |
| Total Exports. .. | 4,814 | 45,349 | 9.42 |

FARM LOANS

Mr. FERLAND:

1. What is the total amount of the loans made to the farmers of the province of Quebec, under the provisions of the Canadian Farm Loan Act, since its coming into force to March 31, 1936?
2. What is the total amount of the loans effected in the county of Joliette-l'Assomption-Montcalm, under the provisions of the said act, during the same period?

Mr. DUNNING:

1. Loans granted.. .. .. $6,105,725.00
   Loans disbursed.. .. .. 4,617,467.52

2. The records of the Canadian Farm Loan Board are not kept by counties, and the information asked for is not now available.

TRANS-CANADA HIGHWAY

Mr. LALONDE:

1. What is the location of the proposed trans-Canada highway from Lachute, county of Argenteuil, Quebec, to Ottawa?
2. Has the location been decided by the provincial or by the federal authorities?

3. Does the highway pass or will it pass through the villages of Fassett, Montebello, Papineauville, Plaisance and Thurso, in the county of Labelle, Quebec?

Mr. ROGERS: The route of the trans-Canada highway in the province of Quebec is covered by a report of the honourable the executive council of Quebec dated October 1st, 1931, approved by the lieutenant governor on October 2, 1931; subsequently amended by a report of the honourable the executive council of Quebec dated March 24, 1933, and approved by the lieutenant governor on March 25, 1933, and further amended by a report of the honourable the executive council of Quebec dated June 7, 1933, approved by the lieutenant governor on June 8, 1933, copies of which executive orders are as follows:

(Translation)

Copy of the Report of a Committee of the Honourable the Executive Council, dated the 1st of October, 1931, approved by the Lieutenant-Governor on the 2nd of October, 1931.

Respecting the Trans-Canada Highway

The Honourable the Minister of Roads, in a memorandum dated the 1st October (1931), recommends:

That a highway running across the province of Quebec be created and designated under the name of the Trans-Canada Highway.

That such highway be constituted as follows: Highway No. 2, from the New Brunswick limit between Saint-Jacques, New Brunswick, and Sainte-Rose-du-Dégelé, province of Quebec, as far as the city of Lévis, passing through the town of Rivière du Loup, and following the riverside road between the village of Andréville and Sainte-Anne de la Pocatière.

Highway No. 3, starting from the city of Lévis as far as the intersection of Highway No. 1.

Highway No. 1, passing by the Quebec bridge, from the intersection of Highway No. 3, as far as Quebec.

Highway No. 2, starting from Quebec as far as Montreal, following the riverside road between Saint-Sulpice and Charlemagne.

Highway No. 8, from Montreal to Hull.

Certified.

(Signed) A. Morisset,
Clerk Executive Council.

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Copy of the Report of a Committee of the Honourable the Executive Council, dated March 24, 1933, approved by the Lieutenant-Governor on March 25, 1933.

Respecting the Trans-Canada Highway, in the Province of Quebec

The Honourable the Minister of Roads, in a memorandum dated March 24, (1933), recommends that order in council No. 2510, approved on October 2, 1931, respecting the location of the Trans-Canada Highway, in the province of Quebec, be amended so that the location of that transcontinental highway, between Montreal and Ottawa, follows highway No. 8, as far as Grenville, at which point it would pass over the interprovincial bridge on the Ottawa river, and thence toward the dominion capital, on the Ontario side.

Certified.

(Signed) A. Morisset,
Clerk Executive Council.

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Copy of the Report of a Committee of the Honourable the Executive Council, dated June 7, 1933, approved by the Lieutenant-Governor, on June 8, 1933.

Respecting the Trans-Canada Highway

The Honourable the Minister of Roads, in a memorandum dated June 7, (1933), recommends:

That the location of the Trans-Canada highway, as determined by order in council No. 2510, dated October 2, 1931, and amended by order in council No. 524, dated March 25, 1933, be further amended so as to follow the section of highway No. 2 now passing through the village of L'Assomption instead of the riverside road between Saint-Sulpice and Charlemagne.

Certified.

(Signed) A. Morisset,
Clerk Executive Council.

## QUESTIONS PASSED AS ORDERS FOR RETURNS

### DOW'S LAKE, OTTAWA, BOATHOUSE

Mr. WARD:

1. Does the federal driveway commission control the boathouse situated at Dow's lake, Ottawa?
2. What is the name of the caretaker; his salary, and when was he appointed?
3. What are the schedules of rates for boats and canoes?
4. Under what authority does the Rideau Aquatic Club, Ottawa, operate the boathouse on the Rideau canal?
5. What rent, if any, is paid?

### MANITOBA PUBLIC BUILDINGS

Mr. MAYBANK:

1. What are the number, nature, location and address of each public building in Manitoba?
2. By whom is electric power for each of such buildings supplied?
3. In how many cases is such supply of electricity under contract for a period?
4. When does such period expire and at what rate is such electricity supplied in each case?

## MOTIONS FOR PAPERS

### NEW BRUNSWICK NATIONAL PARK SITE

Mr. BROOKS:

For a copy of all correspondence, letters, agreements and other documents passing between the present government of the province of New Brunswick, or any department thereof, and the government of Canada, or any department thereof, relative to the selection of site and the establishment of a national park in the province of New Brunswick.

GARIBALDI PARK

Mr. TAYLOR (Norfolk, for Mr. McGeer):

For a copy of all correspondence, letters, telegrams and other documents passing between the government of British Columbia and others and the government of the Dominion of Canada, relating to Garibaldi park, its development and maintenance.

CANADIAN NATIONAL RAILWAYS—
VANCOUVER HOTEL

Mr. TAYLOR (Norfolk, for Mr. McGeer):

For a copy of an agreement entered into between the city of Vancouver and the Canadian National Railway Company referring to the Canadian National Railway hotel in the city of Vancouver and dated the first day of December, 1927, together with a copy of order in council No. 2214 dated the twenty-ninth day of November, 1927, relating to the said agreement.

SASKATCHEWAN FINANCING

Mr. TAYLOR (Norfolk, for Mr. McGeer) moved:

For a copy of all correspondence, letters, telegrams and other documents passing between the government of Saskatchewan, the government of the Dominion of Canada and the Bank of Canada, or any member or representative thereof, relating to the financial position of the province of Saskatchewan and the financing of the liquidation of debts of the said province of Saskatchewan, maturing on or about the first day of May, A.D. 1936.

Mr. DUNNING: Mr. Speaker, I think I should make a reservation in connection with the passing of this resolution, inasmuch as correspondence between the Bank of Canada and other parties is mentioned. I feel quite sure the house will desire to accept the principle that the Bank of Canada must be the judge in all cases whether it is in the public interest or proper for correspondence with the bank to be produced. In the present case I cannot see any objection whatever to producing the correspondence which passed, but I think it rather important to make reference to this as a matter of general principle.

Motion agreed to.

## BUSINESS OF THE HOUSE

ASCENSION DAY AND VICTORIA DAY
ADJOURNMENTS

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

That when this house adjourns on Wednesday, 20th May, it stand adjourned until Friday, 22nd May, and when it adjourns on Friday, 22nd May, it stand adjourned until Tuesday, 26th May, instant.

He said: Mr. Speaker, as far as I have been able to ascertain there are a number of hon. members who do not wish the house to sit on Ascension day. There are also a large number who do not wish the house to sit on Victoria day. I have been told that a good many were ready to sit on one day or the other, but practically none ready to sit on both days. Everything considered it would seem to come nearer to meeting the general views of the house if the motion were permitted to stand as it is worded, and I hope the house will find it possible to accept it as it is.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, in view of what the right hon. gentleman said on Friday last, that "if it should appear after consultation between the whips that it is the wish of hon. members that the house should sit on either of those days, or on both, so far as the government is concerned we shall be glad to be governed accordingly." I have discussed the matter with those with whom I am associated and we think we should sit on both days rather than adjourn, because to adjourn would break two weeks, and one of them in a most unsatisfactory way. To meet on Tuesday is a very unsatisfactory method of dealing with the situation. So far as Ascension day is concerned, to some members of the house it is a day of religious obligation, but the house does not meet until three o'clock, and if they do not desire to attend on that day there will be no difficulty on that score. In view of the fact that to adjourn over Monday means beginning next week on Tuesday, which will be very inconvenient for a number of our members, we think perhaps the best purpose would be served if we sat on both days. Obviously, however, if the government has decided that the motion shall pass in the form in which it is, that is the end of it.

Mr. MACKENZIE KING: May I say that the view I expressed is the one I ascertained from the government whip, who, I understood, had been in conference with the whips of all other parties in the house. As to sitting on Ascension day, the government took account of the view expressed by the leader of the opposition when the question was before him on May 8, 1934. I quote from Hansard of that day:

Right Hon. R. B. Bennett: In 1912 the house was in recess on Ascension Day. In 1913 and 1914 it did not sit on that day. In 1915 and 1916 it was in recess. My information is that on Ascension Day there was no sitting in 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925 or 1926. In 1927 the house was in recess. In 1928 and 1929 there was no sitting. In 1930 the house sat on May 29. In 1931 the house sat on Ascension Day, and it will be recalled that there was some protest against its sitting. In 1932 it did not sit, and last year we sat in order that the business might be concluded so that I might attend the conference in London. Under these circum-

stances my intention is to move to-morrow that when the house adjourns to-morrow, it stand adjourned until Friday at three o'clock.

So that as late as 1934, for the reasons mentioned, the right hon. leader of the opposition thought it was advisable not to sit on Ascension day. In 1935 also, which was last year, the house did not sit on Ascension day. Seeing that such has been the practice, and as apparently we are not immediately near the end of the session, the government has thought it advisable that we should not sit on Ascension day. As to Victoria day, the objection to sitting on that day has usually come from hon. gentlemen opposite; it was made quite vigorously on some previous occasions. The government has also had that in mind in hoping that the house would accept the resolution in the form in which it is expressed.

Mr. BENNETT: I am quite aware of what was said in 1934, but the reason I directed attention to the matter in the terms I did was that the Prime Minister on Friday last mentioned that the government had no views on the matter and were quite willing to sit on either or both of the days in question, and I thought probably it had been discussed before he made that statement. In view of what he has now said, it would appear that it is thought desirable by the government that we should not sit on either day, and that is the end of it.

Mr. MACKENZIE KING: I just wish to say to my right hon. friend that I thought the government whip's word had probably covered his party.

Mr. BENNETT: The whips tell me that what I say is exactly what they say. I consulted the whip, and he tells me the statement I made is exactly the view I was asked to present.

Mr. MACKENZIE KING: Unfortunately it does not cover all the other members of the house.

Mr. BENNETT: No.

Mr. WOODSWORTH: I think that so far as the group in this corner is concerned we should prefer to sit right through.

Motion agreed to.

## CANADIAN NATIONAL RAILWAYS

### APPLICATION OF CANADIAN PACIFIC FOR PROVINCIAL CHARTER FOR ANGLIERS-NORANDA-CHIBOUGAMAU LINE

On the orders of the day:

Mr. RALPH MAYBANK (Winnipeg South Centre): Is the Minister of Railways (Mr. Howe) aware of an attempt being made at the present time by the Canadian Pacific Railway to enter the mineral area of north Quebec at present served only by the Canadian government railways, national transcontinental line, by building a line from Angliers into Noranda, and thence easterly paralleling the national transcontinental and crossing it in a northerly direction, and proceeding to lake Chibougamau, the whole of which territory is at present tributary to the Canadian National Railways transcontinental line? If so, will the minister declare that such action by the Canadian Pacific Railway is in breach of both the terms and the spirit of the Canadian National-Canadian Pacific Railway Act, which enjoins a policy of cooperation between Canada's two main railway systems; and will the minister take steps to prevent, or endeavour to prevent, such action by the Canadian Pacific Railway with a view to continuing to retain the territory for service by the Canadian National lines which have spent many millions of dollars in pioneering and opening up this highly mineralized area?

Hon. C. D. HOWE (Minister of Railways and Canals): The government is aware that the Canadian Pacific Railway Company have made application to the legislature of Quebec for a charter to build a line as described by my hon. friend. The Canadian National Railways inquired as to the views of the department, and we have instructed the railway to represent the position of the Canadian National Railways as to the granting of a charter. Whether this is a violation of the Canadian National-Canadian Pacific Railway Act is a matter of argument. It may be observed that this would bring a third railway into Noranda, which is now served by the Canadian National and Timiskaming and Northern Ontario railways.

Hon. H. H. STEVENS (Kootenay East): Following that question, may I direct a question to the Minister of Justice? This is a matter of law, and I do not pretend to have any right of judgment in my own mind on the subject; I put it as a layman. Is it competent for a corporation whose work has been declared to be for the general advantage of Canada, and which is thus brought within the jurisdiction of parliament, to achieve its wishes by avoiding an application to parliament and seeking the incorporation of its project by means of a provincial charter, although the incorporators are members of the staff of a federal corporation? Does that proceeding violate the principles of law which govern a federal corporation?

Hon. ERNEST LAPOINTE (Minister of Justice): Will my hon. friend allow his question to remain as notice?

Mr. STEVENS: Certainly.

## RELIEF CAMPS

### AGREEMENT BETWEEN GOVERNMENT AND RAILWAY COMPANIES RESPECTING MAINTENANCE WORK

On the orders of the day:

Mr. ANGUS MacINNIS (Vancouver East): I understand that men from the relief camps have begun work on railway maintenance. I should like to know whether the agreement between the railway companies and the government has yet been placed on the table, or is ready to be placed on the table of the house?

Hon. C. D. HOWE (Minister of Railways and Canals): The agreement has not been completed. As soon as it is completed and returned it will be placed on the table.

Mr. PELLETIER: On the same subject, may I ask whether the government has entered into any agreement with the Northern Alberta Railways with the same purpose in view?

Mr. HOWE: No special arrangement has been made with the railway in question, but as it is jointly owned by the Canadian Pacific and the Canadian National, there will be no difficulty about extending the arrangement to that territory if the railways wish to do so.

## WAYS AND MEANS

### SPECIAL WAR REVENUE ACT AMENDMENT

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

3. That the rate of consumption or sales tax imposed by section one of section eighty-six of the said act, as enacted by section eleven of chapter fifty-four of the statutes of 1932, be increased from six per cent to eight per cent.

Mr. DUNNING: I have a proviso dealing with a matter which has been the cause of difficulty in the past. Paragraph 3 is to be amended by adding the following words:

Provided that if any manufacturer or producer has prior to the first day of May, one thousand nine hundred and thirty-six made a bona fide contract for the sale of goods to be delivered after the eight per cent rate comes into force, and if such contract does not permit the adding of the whole of the eight per cent tax to the amount to be paid under such contract, then so much of the tax as may not under such contract be added to the contract price shall be payable by the purchaser to the vendor and by the vendor to His Majesty, but in case the vendor refuses or neglects to collect such tax from the purchaser the vendor shall be liable to His Majesty for the payment of such tax.

I think I am correct in saying that in amending the sales tax in 1931 a similar problem arose which was dealt with in a similar manner. It is in order to provide for bona fide contracts entered into prior to the first of May, the delivery of which was not to be consummated until after the first of May.

Mr. STEVENS: I tried to follow the reading of this technical amendment, but I am not quite clear on it yet. Will it cover a case of this kind: Assume that some large distributing body, anticipating an increase in the sales tax, placed large orders in the month of April with instructions that the invoices should be made out and sent to the purchaser as part of the April sales; the purchaser paid for the goods on April account, but the goods were not delivered until some subsequent date, perhaps in August or September. Would this amendment protect the revenue against such an evasion?

Mr. DUNNING: Yes. The commissioner advises me that the tax is exigible at the time of delivery of the article, and of course my hon. friend will see at once that the amendment is designed to deal with cases which might be based upon foreknowledge of the kind he has indicated. It provides that those attempting to take advantage of such a situation will not be able to do so. That is the intention.

Mr. STEVENS: I have just one more question on the point, or perhaps it is more in the way of a suggestion. This may be covered in the regulations or by the practice of the department at the present time, but I am not quite certain; therefore I will put it in the form of a question. Is it the practice of the department to insist that shipping receipts as well as invoices shall form part of the documents on which the tax is calculated?

Mr. DUNNING: The auditors of the department examine the shipping documents, which are necessary to prove delivery.

Mr. STEVENS: Therefore the goods must be shipped before May 1?

Mr. DUNNING: Yes. The opinion of the department is that this amendment places it beyond doubt.

Mr. ISNOR: I should like to ask the minister a question in regard to contractors who have entered into contracts—

Mr. DUNNING: This is intended to cover that situation also.

Mr. ISNOR: Even subcontracts, which have not yet gone into effect? The general contract, I assume, will cover all subcontracts that might be entered into in connection with the building?

Mr. DUNNING: If the contract is a bona fide one, entered into before the first of May, for completion or delivery after the first of May, the amendment covers it.

Mr. ISNOR: The general contract would have been entered into before May first, but the subcontracts have not been let in all cases.

Mr. DUNNING: I am not sure of that.

Mr. CAHAN: Am I right in construing this amendment to mean that the additional two per cent must be paid in any event, either by the vendor if he is liable under his contract, or, if not, then by the vendee?

Mr. DUNNING: Yes.

Mr. CAHAN: That is the idea?

Mr. DUNNING: Yes.

Mr. CAHAN: It assumes that any contract of sale will be made in view at the least of the present six per cent sales tax, and the only doubt that might remain is with regard to the additional two per cent. In certain cases, under this resolution, that additional tax must be paid by the vendor, but in all other cases it must be paid by the vendee. It is to safeguard the collection of that additional two per cent, in any event?

Mr. DUNNING: That is it. There is just a point in connection with the question of the hon. member for Halifax (Mr. Isnor), who mentioned the case of a subcontract which was not entered into prior to the first of May. I am told that if the subcontract was entered into after the first of May, obviously the contracting parties would take cognizance of the fact that the eight per cent sales tax applied at that time. I cannot make any answer other than that.

Mr. BENNETT: There is another set of circumstances that I think must be considered, such as the class of case that was dealt with by the government of which the hon. gentleman was a member in connection with Mr. Dixon and the merchants, which my hon. friend may recall. A number of purchasers of automobiles in Calgary and other western cities made contracts for delivery as soon as possible. The automobiles were loaded on cars and were actually in transit on their way west at the time the act came into force. The contracts were made on the basis of the payment of six per cent. Are they to be liable for six per cent or eight per cent? It would seem to me that the general principle acted upon by governments heretofore has been to hold them liable for six per cent only. Hon. members will recall that on a former occasion we voted a large sum of money, on what I conceived to be very doubtful grounds, for the purpose of reimbursing those who had been dealt with harshly by a sudden and unexpected change in the sales tax. What I have in mind is goods that had left the factories and were moving towards destination. I understand that under its terms the contract was complete; delivery was made when the goods were put on the cars; they are then at the risk of the purchaser, no longer at the risk of the vendor, and in the contract the sales tax to be paid was at the rate of six per cent. That is the whole basis of the contract. Is the rate now to be eight per cent in respect of these particular goods? It is a matter of much importance to many people who have to depend upon the movement of traffic taking eight or ten days. I know the minister has received a considerable number of communications with respect to matters of this kind; copies of them have been sent to me.

Mr. DUNNING: I hope not all of them.

Mr. BENNETT: No, I should think not all of them; it would be an entire misconception of my duties if they were. At any rate I think they have a fairly sound case, in view of what was done on a previous occasion by the government of which the hon. gentleman was minister of finance, when we voted a very large amount, I forget how much, to reimburse those who had paid a sum in excess of that mentioned in the contract that they had made with their vendor.

Mr. DUNNING: It was the luxury tax—a slightly different matter.

Mr. BENNETT: Well, a tax that was changed suddenly. The two have this feature in common, that they involve consideration of a contract made between a vendor and a purchaser under which a given tax was to be paid. It does appear to be rather difficult to say that because certain purchasers live at some little distance and cannot get their goods for ten days or so from time of shipment, those who live nearer to the point of shipment and got their goods the night before May 1 will be protected, whereas those who are in Vancouver, Calgary, Edmonton, Saskatoon, Regina, or west of the lakes, Winnipeg, will have to pay an additional two per cent, although the contract was executed and the liability for the purchase price complete. They are bound to accept the draft with bill of lading attached, because the goods are at their risk from the time they are put on the cars.

Mr. DUNNING: My right hon. friend touches on what he knows is one of the most difficult matters in the administration of this tax. I hope he will not mind my stating that the precedent of the old luxury tax to which he refers is scarcely a parallel, for this reason; that the removal of the luxury tax immediately lowered the value of every car on every dealer's floor in Canada. Also I have rather a good precedent for the course we are following now in that it was taken previously by my right hon. friend's government. On the basis of the information which I have from the department, delivery is made in law the point of imposition of the tax, and it is the department's view that cars in transit, draft against bill of lading, when the sales tax increase came into effect had not been "delivered to the purchaser" within the meaning of the terms of the statute. Where delivery to a common carrier was made without lien, c.o.d. or draft against bill of lading, the department has regarded delivery as having been made. In former years when the sales tax rate was decreased the automobile companies claimed that the ownership in the cars in transit, draft against bill of lading, had not passed to the customer, and that the lower rates applied. The department acquiesced in that view and accepted the reduced taxes on succeeding reductions, and it is not thought that when the tax rates are going up a different view should be taken of cars in transit under substantially similar conditions. Progressively as the sales tax came down the view accepted here was that taken by the automobile companies and acquiesced in by the department. Surely the rule should work both ways, and that is the principle on which we are proceeding in the proposal now before the committee.

Mr. KINLEY: In this country those who are on the coasts are in this position, that goods take quite a time in transit from central Canada. All cars are shipped draft against bill of lading. The automobile companies sent out telegrams to the banks to refuse the documents unless the buyers paid the extra sales tax. Evidently, therefore, they had interpreted it as the minister says.

Mr. DUNNING: That at least proves that the cars were still in the control of the vendors.

Mr. KINLEY: The question is, what constitutes delivery. Is it delivery to the transportation company, or delivery to a retailer in Nova Scotia?

Mr. DUNNING: It is purely a legal question. I am only asking on the part of the department that the same rule apply when the sales tax goes up as applied when it was coming down.

Mr. BENNETT: That is not quite accurate. The question whether delivery has been made is a mixed question of fact and of law. The first thing is to ascertain the fact, and that depends on the terms of the contract. In law, delivery may be made to a common carrier and can be complete. The Sale of Goods Act in any province covers that, and it is uniform now in practically every province. There are cases where although delivery has passed to the purchaser the vendor's lien attaches until the draft has been paid. But usually in cases where delivery to a common carrier constitutes delivery to purchaser, the bill of lading and draft are sent through the bank, and the right to secure the bill of lading depends upon the payment of the draft. But there is of course always the vendor's lien which attaches, and that vendor's lien is available for the unpaid purchase price in case of insolvency or matters of that kind. The test, however, is a test of mixed fact and law, depending in the first instance, as I say, upon the terms of the contract. The rules as to testing delivery are laid down in the sale of goods acts. They are somewhat complicated and I shall not refer to them now, because it would be a waste of time to discuss here a question of law of that kind. But all the great cases over which difficulties have arisen have been cases in which the question was raised whether or not delivery had been complete, and I say to the minister, notwithstanding what he has read, that in many cases provision has not been made for the exceptions. I think the Department of Justice or any of the legal men connected with the department will tell him that delivery may be made by the vendor to the purchaser by delivering to a common carrier if the terms of the contract contemplate that being done. That is the question of fact which is not determined; it can be determined only by the auditors. I know of cases frequently in my own experience in which draft was made with bill of lading attached; then when the car reached the particular point the purchaser went to the bank, and he was not given the right of inspection by the bank, although as a matter of law he has the right to inspect the goods for the purpose of seeing whether or not they are conformable to contract. If they are not, he has the right of rejection, despite the fact that delivery as between himself and the vendor has been made to the common carrier. But usually the draft is accepted and paid upon the bill of lading being taken up by the purchaser. That is the case I have in mind, about which telegrams have been sent. The purchasers have incurred the liability and must pay the draft when they take the bill of lading. Their

contract was for cash on delivery, with the six per cent sales tax, and that is the reason the price of automobiles in some places has increased to some extent—the sales tax has been increased from six to eight per cent, involving an additional two per cent on the purchase price of the commodity.

That is the case with which I am trying to deal. I was not sure how it had been covered by the late government, but I think in some cases, where the facts reported by the auditors conformed to what I have said, rebates were made. However, I am not sure about that; the commissioner of excise will be able to tell us. The minister will see that if the contract is complete, and the risk is no longer that of the vendors, even if the insurable interest in the property has passed to the purchaser, then it is quite clear on that set of facts that we are putting an intolerable burden on the purchaser when we compel him to pay an additional two per cent. In a country the size of this it is extremely difficult, and I believe—I speak subject to correction—that in some instances, where the facts have been as I have indicated, adjustments have been made. Obviously there would be no necessity to make an adjustment where the facts are that the risk is that of the vendors, and that in point of law there has been no delivery. But I do say to the minister that under the Sale of Goods Act the question of delivery is complicated, depending primarily upon the set of facts which, of course, we have not before us at this time. But I desire to deal with the set of facts which must necessarily arise, where the vendor has no further interest in the property except in the payment of the bill of exchange which he has drawn upon the purchaser. That bill of exchange must be paid before the bill of lading can be taken away and the goods possessed by the purchaser.

There is a clear distinction between delivery in law and delivery as an expression indicating a change of possession. The old statement about possession being nine points of the law arises because possession is always regarded as one of the greatest possible factors in determining whether or not delivery has been completed. But there may be delivery—that is, in which there has been no change of possession—if possession has been given to a common carrier. That is dealt with in our Sale of Goods Act. If delivery is referable to a contract, and the facts are as I have indicated, then the vendor has no longer any interest in the subject matter of the contract, beyond payment of the draft, which must be paid before the bill of lading, the document of title, can be delivered to the purchaser.

[Mr. Bennett.]

When the bill of lading has been handed over to the purchaser on payment of the draft, then that factor in delivery known as possession is complete, and he has possession as well as the right to possession which he has under his contract. This constitutes delivery in point of law. That is the case I am trying to make clear to the minister.

Mr. ILSLEY: I do not know whether I can add much to the discussion, but my recollection of the principles applicable is somewhat different from that indicated by the leader of the opposition. My understanding of delivery is that it means a change of possession. Ordinarily a change of possession from vendor to purchaser takes place when the vendor delivers the goods to the carrier, who, in the absence of any special or extraordinary circumstances, is presumed to be the agent of the purchaser.

Mr. BENNETT: That is constructive possession.

Mr. ILSLEY: Yes, that is constructive possession. But when the vendor sells to a purchaser and retains control over the goods by attaching to the bill of lading the draft for the purchase price, then he retains a lien upon the goods. In that instance the carrier is not the agent of the purchaser but is the agent of the vendor, and the goods are still in the vendor's possession. It would be inconsistent with a vendor's lien if the goods were out of the vendor's possession, because the vendor's lien is a possessory lien and depends upon possession before it can be exercised. The point at which the tax attaches is the point of delivery. In the case we have in mind, where the draft is attached to the bill of lading, change of possession does not take place until the draft is paid and the documents are delivered to the consignee. Therefore the rate of tax applicable at that time is the proper rate of tax, and the rate we have to collect. It may be that the question as to who has the risk is somewhat different; that is to say, the goods may nevertheless be at the risk of the purchaser, even though they are in the possession of the vendor or the vendor's agent. That is a matter of agreement between the vendor and the purchaser. I must admit I have not looked at the cases, nor have I read carefully the Sale of Goods Act—

Mr. BENNETT: Neither have I.

Mr. ILSLEY: But I believe that that must have been the view accepted by the department when some years ago it was put forward, as it must have been, by car manufacturers and dealers.

Mr. BENNETT: Of course it applies to more than automobiles.

Mr. ILSLEY: Yes, it applies to other commodities.

Mr. CAHAN: Does the minister assert that a vendor's lien cannot be retained and asserted after the commodity has passed into the real or constructive posesssion of the vendee?

Mr. ILSLEY: Yes; in that case it would not be a vendor's lien; it would be a lien by agreement, because a vendor's lien is always a possessory lien.

Mr. CAHAN: I differ from the minister. I have asserted vendors' liens where the vendor held constructive possession as agent for the vendee.

Mr. ILSLEY: It must have been by agreement.

Mr. CLARK (York-Sunbury): Does the retailer who has to pay the additional two per cent lose that amount, or could the minister say who would lose it—the customer or the retailer? Can the customer be charged the two per cent?

Mr. DUNNING: Of course that is a matter of agreement, but the principle is that it is collected from the purchaser.

Mr. CLARK (York-Sunbury): Can it be collected from him?

Mr. DUNNING: It would depend upon the nature of the agreement between the vendor and the purchaser.

Mr. BENNETT: But it is passed on to the customer. The hon. member is asking whether the consumer will ultimately pay the extra amount. It is ultimately paid by the consumer, because it is passed on to him by the retailer, who in law has a right to do so.

Mr. KINLEY: Cars are sold on signed orders to deliver at certain prices. Is it clear that notwithstanding the contract, the vendor has the privilege to collect the extra two per cent from the person who buys the automobile?

Mr. BETTS: I should like to remind the minister of a principle with which he is no doubt familiar. It is that in construing any taxing measure or a measure imposing a tax, generally speaking the construction most favourable to the person taxed should be adopted. It seems to me that the fact that when the shoe was on the other foot, namely when the tax was going down, the department adopted a method of dealing with the situation which I must frankly say seems to me to have been a wrong one, cannot be a strong argument for the procedure they propose to adopt at this time, because it simply means that because one set of people were in the past relieved of a tax, now a new and entirely different set will have to suffer one.

Mr. DUNNING: It is not a matter of construction; it is a matter of the claim made at that time by the automobile industry as to what constitutes delivery within the meaning of the law. Surely that which constitutes delivery within the meaning of the law does not change as a tax goes up or down. It is a question of fact. I do not speak as a lawyer, and I must confess I cannot follow all the arguments of hon. members, but surely there can be no change in what constitutes delivery. That was the argument at the time, and my hon. friend will recognize the distinction between that and the construction of the law contracts. There is no question of construction at all; it is a question of what constitutes delivery.

Mr. ISNOR: Did both buyer and seller expect that there was going to be some change in the sales tax?

Mr. MacNICOL: Has the minister any figures to give the committee indicating that the revenue lost as a result of lower duties under the trade agreement and under the budget will be recovered by the increase in the sales tax?

Mr. DUNNING: I do not think my hon. friend is serious in asking that question. If it is any comfort to him I may tell him that there has been no lessening in revenue due to the causes he indicates.

Mr. BENNETT: There has been a decrease in customs duties but an increase in the value of imports. The rule laid down in the Sale of Goods Act of Ontario is as follows:

17. Where there is a contract for the sale of unascertained goods, no property in the goods is transferred to the buyer unless and until the goods are ascertained.

18.—(1) Where there is a contract for the sale of specific and ascertained goods, the property in them is transferred to the buyer at such time as the parties to the contract intend it to be transferred.

(2) For the purpose of ascertaining the intention of the parties regard shall be had to the terms of the contract, the conduct of the parties and the circumstances of the case.

19. Unless a different intention appears, the following are rules for ascertaining the intention of the parties as to the time at which the property in the goods is to pass to the buyer:—

(a) Rule 1.—Where there is an unconditional contract for the sale of specific goods in a deliverable state, the property in the goods passes to the buyer when the contract is made and it is immaterial whether the time of payment or the time of delivery or both be postponed.

(b) Rule 2.—Where there is a contract for the sale of specific goods and the seller is bounds to do something to the goods for the purpose of putting them into a deliverable state, the property does not pass until such thing be done, and the buyer has notice thereof.

(c) Rule 3.—Where there is a contract for the sale of specific goods in a deliverable state, but the seller is bound to weigh, measure, test or do some other act or thing with reference to the goods for the purpose of ascertaining the price, the property does not pass until such act or thing be done and the buyer has notice thereof.

(d) Rule 4.—When goods are delivered to the buyer on approval or "on sale or return" or other similar terms, the property therein passes to the buyer:

(i) When he signifies his approval or acceptance to the seller or does any other act adopting the transaction;

(ii) If he does not signify his approval or acceptance to the seller but retains the goods without giving notice of rejection, then if a time has been fixed for the return of the goods, on the expiration of such time, and, if no time has been fixed, on the expiration of a reasonable time. What is a reasonable time is a question of fact.

(e) Rule 5.—(i) Where there is a contract for the sale of unascertained or future goods by description, and goods of that description and in a deliverable state are unconditionally appropriated to the contract, either by the seller with the assent of the buyer, or by the buyer with the assent of the seller, the property in the goods thereupon passes to the buyer. Such assent may be expressed or implied, and may be given either before or after the appropriation is made.

(ii) Where, in pursuance of the contract, the seller delivers the goods to the buyer or to a carrier or other bailee (whether named by the buyer or not), for the purpose of transmission to the buyer, and does not reserve the right of disposal, he is deemed to have unconditionally appropriated the goods to the contract.

That is step number one. There is a section dealing with goods deliverable to order of seller, and then comes the section dealing with the performance of the contract. Section 26 reads:

26. It is the duty of the seller to deliver the goods and of the buyer to accept and pay for them in accordance with the terms of the contract of sale.

27. Unless otherwise agreed, delivery of the goods and payment of the price are concurrent conditions, that is to say, the seller must be ready and willing to give possession of the goods to the buyer in exchange for the price, and the buyer must be ready and willing to pay the price in exchange for possession of the goods.

There are then five rules laid down as to what constitutes delivery in the absence of a contract, where no time for delivery is fixed, where the goods are in possession of a third person, and where there is a demand for or tender of delivery. It gets down to the simple, single point, as the minister has said, that the contract determines the principles of law to be applied. Section 31 reads:

31. (1) Where, in pursuance of a contract of sale, the seller is authorized or required to send the goods to the buyer, the delivery of the goods to a carrier whether named by the buyer or not, for the purpose of transmission to the buyer, is prima facie deemed to be a delivery of the goods to the buyer.

(2) Unless otherwise authorized by the buyer, the seller must make such contract with the carrier on behalf of the buyer as may be reasonable, having regard to the nature of the goods and the other circumstances of the case. If the seller omits so to do, and the goods are lost or damaged in course of transit, the buyer may decline to treat the delivery to the carrier as a delivery to himself or may hold the seller responsible in damages.

Rules are then laid down as to examination. I mentioned a moment ago that I was a little uncertain in this regard. Section 33 reads:

33. (1) Where goods are delivered to the buyer which he has not previously examined, he is not deemed to have accepted them unless and until he has had a reasonable opportunity of examining them for the purpose of ascertaining whether they are in conformity with the contract.

(2) Unless otherwise agreed, when the seller tenders delivery of goods to the buyer, he is bound, on request, to afford the buyer a reasonable opportunity of examining the goods for the purpose of ascertaining whether they are in conformity with the contract.

Vendors' liens are covered by the statute. Section 37 reads:

37. (1) The seller of goods is deemed to be an "unpaid seller" within the meaning of this act—

(a) when the whole of the price has not been paid or tendered;

(b) when a bill of exchange or negotiable instrument has been received as conditional payment, and the condition on which it was received has not been fulfilled by reason of the dishonour of the instrument or otherwise.

(2) In this part of this act the term "seller" includes any person who is in the position of a seller, as for instance, an agent of the seller to whom the bill of lading has been endorsed, or a consignor or agent who has himself paid or is directly responsible for the price.

I do not like to take up the time of the committee, but the next section deals with the rights of unpaid seller. It reads:

38. (1) Subject to the provisions of this act and any statute in that behalf, notwithstanding that the property in the goods may have passed to the buyer, the unpaid seller of goods, as such, has by implication of law—

(a) A lien on the goods or right to retain them for the price while he is in possession of them;

(b) In case of the insolvency of the buyer, a right of stopping the goods in transitu after he has parted with the possession of them;

(c) A right of resale as limited by this act.

(2) Where the property in goods has not passed to the buyer the unpaid seller has, in addition to his other remedies, a right of withholding delivery similar to and coextensive with the rights of lien and stoppage in transitu where the property has passed to the buyer.

The next section deals with unpaid seller's lien: I speak subject to correction, but I recall that in connection with certain types of goods this difficulty arose and adjustments were made, which it seems to me was but reasonable. The terms of the contract govern and there is no analogy between the scaling down or the lifting up of the sales tax. That does not affect the terms of the contract. If a person in Calgary bought a carload of sugar at the refinery in Vancouver and it was paid for on the basis of the six per cent sales tax, that is, entered in the books and settled on that basis, a certain set of conditions would arise. The carload of sugar might leave Vancouver and reach Calgary with the bill of lading and draft, including the six per cent tax, drawn upon the purchaser. The purchaser might accept and pay the draft on May 5, and it is a little difficult to see why he should be liable for another two per cent even though his goods had not been delivered. They were in the possession of the carrier which was his agent for the purpose of delivery, delivery being complete when the refinery loaded the goods on to the car for Calgary. I have been pressed to bring this point to the attention of the minister as strongly as I could, because it is felt that this would be unfair. For instance, the same condition of affairs would not arise in connection with the delivery of a carload of sugar from Montreal to Toronto.

Mr. DUNNING: I have complaints in regard to that class of transaction.

Mr. BENNETT: If a carload of sugar was ordered from Montreal by a merchant in Toronto on the 29th day of April, and paid for, the goods would actually be in Toronto and the bill paid on the first of May, and that would be the end of it; but because of the long distance hauls in western Canada the purchaser would find himself in a different position. I am asking whether they have ever dealt with these matters in that way. I thought they had, but I may be entirely in error as to that. If they have, I think these are cases in which there would have to be an analysis of the auditors of the facts in each case, but I do recall one case in connection with sugar. The purchase had been completed and the goods appropriated to the contract and put away in a particular warehouse and paid for, including the sales tax, and I remember that the officers were clear that there was no further tax payable with respect to these goods that had been appropriated to that contract before the tax on sugar became effective.

Mr. KINLEY: Mr. Chairman, I take it that the minister or the department has decided that goods in transit are liable to the tax, and that that would apply to automobiles. It takes seven to fourteen days for an automobile to be carried to Nova Scotia by rail, and for the sake of clarity I would like an answer to the question I asked a moment ago. This is the selling season for automobiles; many have been sold, and dealers have made contracts with people in Nova Scotia to deliver automobiles at a certain price. In the meantime the sales tax has been increased to eight per cent. Does the imposition of that additional tax confer, independent of anything else, upon the vendor the right to collect the extra sales tax from the purchaser, notwithstanding anything contained in the contract?

Mr. ILSLEY: If the dealer has agreed to sell the automobile at a certain price he cannot go back later and charge the purchaser a higher price.

Mr. BENNETT: He takes a chance.

Mr. ILSLEY: Yes.

Mr. KINLEY: Then it is clear that the automobile dealer must pay this tax, and not the person who buys the automobile?

Mr. ILSLEY: It is a matter between him and the manufacturer as to who bears the burden of the tax. The government looks to the manufacturer, not to the dealer, for the tax.

Mr. KINLEY: He has protected himself by sending out telegrams advising the bank not to deliver the bills of lading until he gets the extra two per cent.

Mr. DUFFUS: I am inclined to agree with the views expressed by the hon. member for York-Sunbury (Mr. Clark) and the hon. member for Queens-Lunenburg (Mr. Kinley). I have had twenty-five years' experience selling automobiles, and I know that once a dealer takes a signed order from a customer it is absolutely impossible to get any further sum of money from him, no matter whether it is sales tax or anything else. I think this is going to be a decided hardship on the dealers who had made many bona fide sales before the extra two per cent sales tax went into effect. It will mean just the difference between success and failure for some of them this year. I think some arrangement should be made whereby such dealers will be pro-

tected. Perhaps the dealer might make an affidavit that these cars have been actually sold, and that as a result of the new tax he has sustained a loss, and he could be given a rebate. May I say that in all my experience, I have never known a dealer to collect an extra amount after the order had been signed.

Mr. MacLENNAN: I know cases in Sydney, Nova Scotia, where the dealer sent in an order to the manufacturers for a certain number of cars, and at that time the sales tax was six per cent. After he signed the order he went out on the highways and byways of Nova Scotia to sell those cars, by description, of course, naming a certain price. He sold them, but before they actually arrived in Sydney there was an increase in the sales tax. It is an easy matter for a dealer who has not sold a car to add the two per cent tax, but many cars have been sold at a fixed price and delivered after the sales tax was increased, and as it is now if the dealer does not pay that extra two per cent he cannot make a sale. I think some arrangement should be made for compensating the dealer. I know the difficulties of the minister, but at the same time it is very hard on some of the dealers in Sydney. They have taken orders for cars and made their bargains in the spring. I was told that one dealer in Sydney would go to the wall in consequence. Possibly that is an exaggeration, but at all events it does work a hardship, and I hope the minister will see his way clear to making some arrangement to avoid it.

Mr. DONNELLY: Nine out of ten sales of automobiles are just an exchange with an additional $100, $200 or $300 paid over. Does the department collect the sales tax on the old automobile?

Mr. DUNNING: No.

Mr. DONNELLY: Then the old automobile is increased in value by the amount of the sales tax. The man who sells his old automobile gets an increased price for it.

Amendment agreed to.

Paragraph as amended agreed to.

Mr. BENNETT: Will the minister between now and the time the bill comes up in committee look into this matter? Everything that has been said by other members of the committee I should like also to have said in connection with the difficulties that are going to arise for the dealer. There must be a bill founded on this resolution, and between now and the committee stage of that bill the minister will have an opportunity to look into it and see whether it is desirable, by any appropriate words, to provide against a situation which undoubtedly will work a very great hardship on a large number of people.

Mr. ILSLEY: Yes, I will agree to look into it.

Mr. BENNETT: That is all one can ask at the moment.

4. That schedule I to the said act, as amended by section twenty-six of chapter fifty of the statutes of 1932-33, and by section six of chapter thirty-three of the statutes of 1935, **be further amended** by repealing section one thereof and substituting the following:—

1. Automobiles adapted or adaptable for passenger use:—

(a) valued at not more than six hundred and fifty dollars, free.

(b) valued at more than six hundred and fifty dollars, on the amount in excess of six hundred and fifty dollars, 5 per cent.

Provided that the tax collected under paragraph (b) above shall in no case exceed two hundred and fifty dollars per automobile.

Provided further that the tax shall not apply to automobiles imported:—

(a) under customs tariff items 702, 706, 707 and 708;

(b) by a bona fide settler on a first arrival;

(c) by a beneficiary resident in Canada, under the terms of a will of a person dying in a foreign country.

Mr. DONNELLY: As regards the phrase "valued at not more than six hundred and fifty dollars," is that the wholesale value at the factory or the wholesale value out in the country plus the freight?

Mr. DUNNING: The manufacturer's value.

Mr. DONNELLY: The manufacturer's value where?

Mr. DUNNING: At the factory.

Mr. DONNELLY: That is the wholesale price?

Mr. DUNNING: Yes.

Mr. NEILL: Should not subsection (c) read, "under the terms of a will or intestacy of a person dying in a foreign country"? If a man succeeds to an automobile by intestacy he is entitled to it the same as though he succeeded to it under a will, is he not?

Mr. DUNNING: If there is any necessity of providing for that, we will check it up before the bill is introduced.

Mr. YOUNG: If a car is shipped in knocked-down condition to Winnipeg, or even to Vancouver, and completed there, is the tax computed inclusive of freight to the point at which it is finally completed?

Mr. DUNNING: It depends upon the selling point. Wherever the sale takes place, that is the place where the tax is levied on the manufacturer.

Mr. YOUNG: The point I am trying to get at is this: if the car is actually shipped in knocked-down condition to Winnipeg, and is completed there, is the freight from Windsor to Winnipeg added to the cost of the car in determining the amount of the tax?

Mr. DUNNING: I should have to answer the question from the standpoint of theory, because it is not a practical transaction, but obviously the manufacturer of an automobile or of anything else does not desire to add to the amount of the tax levied on that particular article; I assume therefore that the original sale in all cases would apply; that is to say, the so-called assembly plant at Winnipeg or at any other point would be in that case in the position of being the purchaser. It is a matter of practice, and I am answering a theoretical question. I do not think it has any real parallel in fact.

Mr. YOUNG: If it were theory I would not be asking it. It is a matter of actual practice. A Ford car manufactured in Windsor is shipped to Winnipeg in knocked-down condition, and there assembled. I am told that the freight is actually added in determining this tax. I am trying to find out why in the world we should be collecting an extra duty on freight paid in this country.

Mr. STEWART: Because you need the money.

Mr. DONNELLY: If the price of a Ford car at Windsor is $700, when it gets to Regina it is around $875. Are you collecting the sales tax on $875 or on $700? The merchant, when he goes to buy, may not pay $700, but only $550. Do you collect on the $550 that the agent pays for it? Do you collect it on a wholesale price or on a retail price?

Mr. DUNNING: It is a manufacturer's tax. The sales tax is levied, according to its terms, on the manufacturer's price at the place at which the manufacturer makes the sale.

Mr. MacNICOL: Will this new regulation increase employment in the motor car industry in Canada, or decrease it?

Mr. DUNNING: How can one say that the imposition of a direct tax either increases or decreases employment? I suppose in theory it can be argued that direct taxation is an employment reducing agent. But inasmuch as this is an adjustment of existing taxation, and is part of a general scheme for the reorganization of taxation in connection with the automobile industry generally, including the tariff, including in some particulars the excise tax, and also the sales tax, I believe the general effect of the whole plan as evolved by the tariff board and shown in their report will be to increase employment, not to decrease it.

Mr. NEILL: May I ask what was the former regulation?

Mr. YOUNG: I should like to know from the Minister of National Revenue whether in practice his department does put on this particular charge between the two points I mentioned, that is, whether it is figured in the price of the car.

Mr. ILSLEY: The Minister of Finance answered the question. If I understand the question correctly it is whether the manufacturer is allowed to add freight to cost—is that it?—before an excise or sales tax is imposed.

Mr. YOUNG: As I understand it, cars are shipped in a knocked-down condition to Winnipeg. At Winnipeg, the point where the car is finally completed, the cost of the car is its cost at Windsor plus the additional work done in Winnipeg, plus the freight. At that particular point, then, the freight does figure, whether the car is valued at more than $650 or whether it is not; consequently freight does to an extent govern what in actual practice is done in that regard by the Department of National Revenue.

Mr. ILSLEY: Clearly in that case the manufacturing operation would be completed at Winnipeg, and all costs entering into the article up to that point would be considered the cost of the article.

Mr. YOUNG: Even freight?

Mr. ILSLEY: Yes. It is like any other raw material.

Mr. STEVENS: Is that not manifestly unfair?

Mr. ILSLEY: Why?

Mr. STEVENS: There are huge manufacturing plants in Oshawa, Windsor and Toronto. There are no cars manufactured in the west. Surely in principle a sales tax is essentially a tax that is applied when the car leaves the door of the factory. For instance, the department does not include the cost of delivery of the car to Ottawa or Montreal or Owen Sound. If it goes to Winnipeg, and the manufacturer has a depot there from which he distributes to the dealers, then according to the minister the sales tax would apply on the freight between Oshawa and Winnipeg. I cannot believe that that is correct.

Mr. ILSLEY: There is a misunderstanding. I was not covering a case such as that just put by the hon. member. I was speaking about a case where a car is not completely manufactured at Oshawa or Windsor, as the case may be, but is manufactured in Winnipeg.

Mr. STEWART: Assembled.

Mr. ILSLEY: Assembled, put together, where the parts are taken to, and the manufacture of the car is completed in, Winnipeg, the cost which has entered into the manufacture of that car at that point when it is completed is the cost on which the tax is levied.

Mr. STEVENS: May I point out to the minister that there is a vast difference between manufacturing and merely assembling a knocked-down car. For instance, that car is made in Oshawa and is tested there. Then for the purposes of shipping they may take the wheels or the top off, putting the top in a case, and then it is shipped. I do not think that is done now to any great extent, but it used to be. Automobiles used to arrive at Vancouver in cases in freight cars. As soon as a car was unloaded they would put the wheels on, fasten on the top, and do a few other operations. But that is not manufacturing. That certainly could not be considered the point where the manufactured article is completed, and if there is any possibility that that is being done—

Mr. YOUNG: It is being done.

Mr. STEVENS: —I think it should be challenged and definitely changed. The cost of delivery of a car will run about $200; roughly speaking I think that is about the freight on various weights.

Mr. ROSS (Moose Jaw): A hundred and some dollars.

Mr. STEVENS: It will run, I think, as high as $200 on some of the heavier cars; it is between $100 and $200. Well, eight per cent on say $150 gives you $12 additional, merely on freight. Let me ask the minister this question: Assume that it is an imported car bought in Detroit, we will say, and shipped to Vancouver, to take an extreme case. Does the department impose the sales tax, when customs entry is made, on the price of that car in Detroit plus the freight?

Mr. MOORE: Why speak of a car having been wholly made in Oshawa? I happen to know that the Oshawa plant buys parts and materials from two hundred factories, principally in other cities than Oshawa, and the question arises as to where a car is really manufactured.

[Mr. Stevens.]

Mr. STEVENS: That has been covered by the law for many years. We call these cars manufactured in Oshawa, but they are really assembled there. Certain portions of them are actually made there from raw material but a substantial percentage of each car consists of imported parts which are there attached to the locally manufactured parts. That is all covered in the law.

Mr. DUNNING: No.

Mr. STEVENS: The minister shakes his head. It has been covered in the law for fifteen years. I remember that around 1920, 1921 or 1922 we went to a great deal of trouble to determine how we could declare what was made in Canada and what was not, and then there were certain rebates and all that sort of thing. I think you deal with it to a certain extent in the resolutions now before us. In any case we have dealt with that matter in parliament over and over again, but what I mean is this: to all intents and purposes when the car leaves the factory in Oshawa it is a delivery by the manufacturer of the car.

Mr. BENNETT: It is completely fabricated.

Mr. STEVENS: Yes, whether it is assembled or manufactured. But if that car is delivered in Ontario, and the sales tax is imposed on the factory price at Oshawa, it is vastly different from a car delivered at Regina, Moose Jaw, Calgary or Vancouver with freight added, and in equity at least it would impose upon western purchasers a gross injustice, in forcing them to pay sales tax on the freight. The object of the sales tax is that it should be a manufacturer's tax. That is the basis and the whole theory of a sales tax. When the car leaves that factory it should go into the hands of any Canadian purchaser from Aklavik to Halifax and from Victoria to Montreal—

Mr. DUNNING: The commissioner says it does.

Mr. STEVENS: That is the essence of the whole business.

Mr. MOORE: The object of assembling cars in Winnipeg, I assume, is to reduce western costs. When I was speaking of assembling in Oshawa I was speaking of the first stage of assembling, because you have different stages. There are cars also that are completed there, but in the matter under discussion now apparently the car is not completed in Windsor. For the purpose of reducing costs in the west the car is shipped to

Winnipeg in a certain form, and is then completely assembled. That is my understanding of the situation, and I think the hon. gentleman will find that by this argument he is arguing against having industries in western Canada and against a reduction in the cost of motor cars in the west.

Mr. STEVENS: The hon. gentleman has not grasped the point at all.

Mr. KINLEY: The freight cost on automobiles depends on how many automobiles are in the shipment. If you have a full carload you get a lower freight rate. They are shipped knocked down for the purpose of saving freight, and disregarding everything else it will give the big man an advantage over the little man if you do not include the sales tax, because he has the advantage of a lower freight rate through his ability to take cars in big shipments in knocked down condition.

Mr. McGEER: The point is this: When a manufacturer in Windsor ships a completed car to Ottawa, we will say, there is no part of the freight involved in the sales tax because your sales tax is charged on the manufacturer's price at the factory. But if the present development of industry continues and you have plants established at points like Winnipeg, Regina or possibly Vancouver, when there is a shipment of parts to those western points the freight on those parts is included in the manufacturer's costs. So when the manufacturer's costs go out with those freights included, the westerner pays a tax upon a freight rate which the man in eastern Canada does not have to pay. The result of that sort of discriminatory taxation of course would be very favourable to eastern manufacturers.

Some hon. MEMBERS: Why?

Mr. McGEER: Let me put it this way. I can quite understand you fellows down east all being in favour of these things which concentrate—

Mr. MOORE: I cannot understand the hon. gentleman's objection to manufacturing in western Canada.

Mr. McGEER: No, we are not objecting to that, but what we do say is that when you ship parts from your main headquarters here to the west and assemble the car there, the cost of transportation to the point in the west should not be included in the calculation for the sales tax. You handicap your western manufacturer by the imposition of an extra tax on the freight which is not included in the east.

Mr. McLARTY: How can the increase of a sales tax or excise tax, the proceeds of which naturally go to the government, possibly help the manufacturer? He is simply a collection agent for the government.

Mr. McGEER: That is quite another thing, but what we are trying to do, of course, is have a manufacturing plant for automobiles in the west as well as in the east, and I think the general trend of manufacturing activity is to recognize a distribution of manufacturing centres throughout the consuming area. I think I catch the drift of the suggestion of my hon. friend from Kootenay East. It is that when you levy your sales tax on the freight on parts moving from the main factory to western points and do not levy the sales tax on the freight on a completed car going to other points, you discriminate against the western fabricator or the assembly man, and against the development of a plant in the west that is compelled to depend, for the time being at least, on the movement of the bulk of the parts from headquarters factories in Windsor. It is simply a question of whether or not you are going to equalize it by making your sales price at your factory the sales price plus the freight to the point of delivery. If that is done in the east there can be no complaint from the west over having to pay freight on parts moving from the headquarters plant to the point of assembly or manufacture, but if you are not going to levy any tax on the freight charged on the automobile moving from the factory to the point of consumption the suggestion is that you should not levy sales tax on the freight on parts moving from your headquarters here to the western point of assembly.

Mr. DUNNING: What about the movement of parts into what you describe as headquarters?

Mr. McGEER: Well, they will pay the tax in any event. For instance, there are no taxable parts coming into the factory at Windsor that have not paid that tax before they are moved to Winnipeg or Regina or Vancouver. As long as the taxes are paid at headquarters there is no question as to their being evenly distributed over all. I do not think there is any point of importation from outside of headquarters.

Mr. DUNNING: There is no tax on raw materials.

Mr. McGEER: Well then, nobody pays any tax. The only thing that it seems to me might appeal to the minister is whether the tax should be charged on freight on a western

movement which is not charged on the eastern movement. For instance, take the man fabricating in Vancouver, where the freight is say $150 on the total volume of material going into the car; if he has to pay that tax, the amount paid may be sufficient to bring the car in in complete form from the factory at Windsor without the sales tax on the freight. Suppose I buy in Vancouver a complete car at Windsor and it is shipped to me; it is clear I do not pay any sales tax on the freight. But if I buy one assembled in Vancouver from parts made in Windsor, I pay tax on the freight on those parts. Why should I pay sales tax on freight on the material to assemble a car, and not pay sales tax on freight on the car assembled at the point of origin of those parts and delivered at the same destination?

Mr. BENNETT: But you do.

Mr. McGEER: The minister says we do not pay the sales tax on the freight.

Mr. BENNETT: My hon. friend is seldom wrong, but I am amazed at him this time. There are perhaps two hundred communities producing materials that go into the production of a car. The car leaves Windsor for Vancouver knocked down. That means that there is a great deal to be done to make it a completed car. The minister has just said that on that car as shipped out there is no freight added to the price for the purpose of ascertaining the sales tax.

Mr. McGEER: I understood the contrary. I think it is my right hon. friend who is wrong.

Mr. BENNETT: No, wait a moment. In order to complete the car a number of parts must be used. The cost of those parts is their initial cost at some Ontario town plus the freight, and upon that the sales tax is paid.

Mr. DUNNING: That is the point.

Mr. McGEER: My point is that we pay freight on those parts, and that constitutes part of the manufacturer's price.

Mr. BENNETT: I was just going to finish. The car is made at Oshawa and the sales tax is paid there on the completed car. Entering into the production of that car were a number of parts. One part came from Chatham, Ontario, upon which freight was paid by General Motors at Oshawa, and upon which sales tax was paid in the completed automobile.

Mr. DUNNING: That is right.

Mr. BENNETT: That is the whole story. The same thing applies in Vancouver. In answer to the question asked a moment ago, the minister says there is no charge upon the car that goes out knocked down in the way of freight for the purpose of sales tax. That is settled. But on the parts that enter into the production of that car, their cost is the initial cost in Ontario, whether it be at Windsor, at Oshawa, or at Chatham, plus the freight, which is at a lower rate than it would be if it were incorporated in the car as shipped. The reason they are shipped knocked down is that from various factories parts are shipped out by carloads and so get a very low freight rate, as the hon. member for Queens-Lunenburg says. Also the knocked down cars can be loaded in larger numbers in a railway car and thereby they receive a low freight rate which reduces the freight on every unit, and the parts which went into another car altogether. The original price paid for them in the Ontario town, plus the freight, make the complete cost of the part that enters into the car, upon which the sales tax is paid.

Mr. McGEER: I quite agree. Where the right hon. gentleman has missed the point is this: two cars are shipped out, one of them a completed car. The manufacturer finds that by establishing an assembly base in Vancouver or Winnipeg he can knock that car down and ship it at a lower cost and put it together at destination and make money by the saving on freight. If he ships the completed car he does not pay any sales tax on the freight, but if he knocks his car down and reassembles it in Winnipeg he has to pay the sales tax on the freight.

Mr. BENNETT: No, not unless he adds parts to it upon which freight is paid.

Mr. ILSLEY: Not if it is a mere assembly. The question is whether it is a manufacturing operation that takes place at destination.

Mr. McGEER: I understood it was stated that whatever the freight charges on the assembly are, they are part of the manufacturer's cost.

Mr. ILSLEY: It depends on whether it is a mere assembly or a manufacturing operation. If a manufacturing operation takes place at destination, then the sales tax is imposed upon the sale price at destination. It does not apply only to motor cars; it applies to everything. For instance, I am advised that wood is shipped from British Columbia to mills in Quebec which make what are called shuttles. When the shuttle is sold the sales tax is reckoned upon the sale price, which includes as a component part not only the cost of the wood in British Columbia but the freight on the wood from

British Columbia to the Quebec factory. There would be no way of administering the Special War Revenue Act otherwise, because the tax is a tax placed upon the article when manufactured, at the factory door, as one hon. member expressed it. No sales tax is imposed upon freight as such or raw material as such; the sales tax is imposed upon the finished product when delivered, into which these elements go as components.

Mr. McGEER: I quite agree, but here you have an important variation from the common or general illustration you have given, in that the main automobile manufacturing is carried on in eastern Canadian centres. It is true there are certain assembly points in the west, which are developing. The question is: when no charge is made on the freight on a completed automobile, should there be any charge made on the freight on articles which are sent out from headquarters for assembly in the west? That is a very different thing from shipping raw material in the form of lumber for manufacturing in the east.

Mr. ILSLEY: I do not think it would be administratively possible to make the distinction. The only rule that can be applied is the rule I have tried to state several times, that you take the sale price of the article when it is manufactured. If that price has been enhanced by reason of the fact that certain of its parts or certain raw materials have moved long distances, that is something we cannot help; we look at the sale price where the manufacturing operation is complete.

Mr. STEVENS: It does however leave this fact clear, that a plant for the assembling of automobiles in western Canada would be an impossibility in competition with one in eastern Canada. If the minister is correct in his diagnosis of the case—and I am not disputing what he has said—it means this: Wheels are manufactured by a separate concern in Ontario. They are finished, complete wheels, ready to put on the car. The manufacturer in Winnipeg or Vancouver pays a sales tax on the original cost of the wheel, plus freight over a distance of two or three thousand miles.

Mr. DUNNING: No, he does not pay sales tax on it at all. He buys it under a licence as a component of the car he will manufacture.

Mr. STEVENS: Yes.

Mr. DUNNING: And he imports it by the carload at the lowest possible rate, because he is taking advantage of the possibility of putting a great many wheels in one carload. It is a matter of what the wheel costs the manufacturer.

Mr. STEVENS: Yes, but it is obvious it will cost a great deal more after it is hauled three thousand miles. He pays a sales tax on the higher cost.

Mr. DUNNING: But how can we fix—

Mr. STEVENS: There can be no doubt that the further you haul an engine, or whatever the part may be, the taxed sales price will be that much higher.

Mr. DUNNING: The rubber in the tire comes from South America. The cost of getting it here is a component part no matter where it goes.

Mr. STEVENS: I know this is a difficult point, because I have been through this kind of argument before. However there is in it an element of fundamental justice which offers a challenge to the present method. At least it calls for study to see whether or not the cost of freight movement in Canada shall be included in determining the figure on which sales tax will be imposed. I admit that movement of an article from Hamilton to Toronto, Oshawa, Windsor, London, or other points in central Ontario would not cost very much. It is something that the manufacturer might be prepared to cover.

Mr. BENNETT: But it is in the cost of the article.

Mr. STEVENS: It is in it, yes, but it is small. But when you come to move all these articles—I think the hon. member for Ontario said there were about two hundred, did he not?

Mr. MOORE: Yes.

Mr. STEVENS: There are two hundred separate items which enter into the assembly. If they are moved within a radius of one hundred miles, to Toronto or to other points, the freight would not amount to very much. But when those two hundred items are moved across the continent to Vancouver, to Winnipeg, or Regina, then the freight becomes an important part of the cost, and imposes a handicap upon the western assembly plant which, I suggest, is quite unfair. I must say this is the first time I ever heard of lumber being moved to the east to make box shooks, because I believe we could secure in the east the kind of lumber required for that class of manufac-

ture as easily as it could be secured in the west. But whether it applies to lumber, or the matter now under discussion, the practice of imposing sales tax on freight within Canada might very well be discontinued. It would not be very difficult to bring that about. For instance, we may have a carburetor, a wheel or some engine part, the sales tax upon which could be figured upon factory cost at point of production, and upon a price plus freight to Oshawa or Vancouver.

Mr. DUNNING: Of the part?

Mr. STEVENS: Yes, of the part.

Mr. DUNNING: The hon. member must see immediately that he would upset the whole structure of manufacturing parts of a completed whole under licence, the principle being that the tax is levied on the finished manufactured article. Operations of various kinds are carried on under licence in order to give the department an opportunity to be sure that the tax is collected when the article is finally manufactured.

Mr. BENNETT: At the completed manufactured price.

Mr. DUNNING: Yes, at the completed stage of manufacture. It took years of development of the tax, as the hon. member must know, to arrive at the comparatively simple formula which now exists. May I point out that his suggestion would change the whole principle in that a carburetor manufacturer—and I do not know whether there are any in Canada—

Mr. BENNETT: Yes.

Mr. DUNNING: Yes. A carburetor manufacturer, for instance, would be a licensed manufacturer of parts in relation to, let us say, a plant at Oshawa. But he would be a manufacturer of the finished article in relation to a plant at Vancouver. The hon. member's imagination will indicate to him immediately the difficulty of trying to administer a situation like that. Either a manufacturer must be a manufacturer of parts which ultimately go into a completed whole, which is taxed, or he must be a manufacturer of a finished article which is taxed at his factory gate. I see no escape from one or other of the positions.

Mr. NEILL: When the manufacturer of a carburetor sells the article, is the tax payable on that article?

Mr. DUNNING: No; that carburetor could be shipped to a manufacturer in Vancouver, Oshawa or any other point, and there, wherever it was, enter into the taxable value of the completed article. That is the principle of the law.

[Mr. Stevens.]

Mr. ROSS (Moose Jaw): The question I am asking is this: We make Ford cars in this part of the country, and a certain sales tax is paid to the government. Then, in the city of Winnipeg Ford cars are assembled. Does the Ford car sold in the city of Winnipeg pay a greater tax to the government than the Ford car made at Ford, Ontario?

Mr. EULER: Yes, of course, because it sells for more.

Mr. ILSLEY: In Winnipeg it is an assembling operation.

Mr. ROSS (Moose Jaw): In Winnipeg it is an assembling operation?

Mr. DUNNING: That is a question of fact about which I cannot speak.

Mr. ROSS (Moose Jaw): The tax is on the car, in both places. There is a certain tax paid on a certain type of Ford car; what is it?

Mr. DUNNING: I shall get that information, but I do not have it just now.

Mr. BENNETT: It is eight per cent on the sales price.

Mr. ROSS (Moose Jaw): Yes, but the sales price at Oshawa is lower than the sales price at Winnipeg.

Mr. STEVENS: To the extent of the freight.

Mr. ROSS (Moose Jaw): Yes; so that there must be a higher tax paid by the consumer in Winnipeg than by the consumer at Ford, Ontario.

Mr. DUNNING: May I point out that under this amendment the Ford car, in either case, will not pay it.

Mr. ROSS (Moose Jaw): Possibly so, but I am getting at a principle. In one part of Canada we have a consumer paying a higher tax on an article on which a lower tax is paid in another part of the country. Is that right?

Mr. EULER: It seems to me that the principle is a simple one. Although I do not wish to prolong the discussion, may I explain what I mean? The sales tax is imposed on the manufacturer's sales price. If the manufacturer is located in Winnipeg the tax applies on the selling price of the product as delivered from the factory at Winnipeg. I take it that an assembly plant is a manufacturing plant. The car is not completed until it is ready for delivery to the customer. I take it that the Ford Company at Windsor sends its cars in what has been described as a

knocked-down condition to its assembly plant at Winnipeg, and I would say that the manufacturing operation is completed at Winnipeg. When the car is sold out of the manufacturing or assembling plant, whichever you choose to call it, all costs would be included, among which would be freight. On that price the tax must be paid, and there can be no escape from it. The law is definite that the sales tax shall be charged on the selling price, and if the article is finally sold in Winnipeg that selling price will finally include freight.

Mr. McGEER: There is one point to remember, namely that in the whole fabric of freight rates there has been a definite and a partly successful endeavour to balance up charges of freight so that those carrying long haul costs are not penalized on an exact mileage basis. If in the imposition of the sales tax, freight rates are included in the manufacturer's cost, he must of necessity impose a discriminatory or a heavier charge on western plants than on eastern or central plants where, because of shorter distances, freight rates are less. I cannot see any reason why in the levy of the sales tax there might not be an attempt on the part of the department to balance the sales tax so that a person buying the same article in western Canada shall pay approximately the same sales tax as is charged to a person buying that article in central Canada. The mere fact that there is some difficulty in working out such a problem is no good reason why the work should not be undertaken. It is being done by private industry and it seems to me that it could be done in this instance. One effective way of balancing the incidence of the sales tax would be to eliminate the item of freight in the total manufactured cost. This should not be a difficult thing to do.

Mr. DUNNING: What freight?

Mr. McGEER: Whatever freight enters into the cost. Supposing there is freight on an article coming from Oshawa.

Mr. DUNNING: From South America, from South Africa, wherever the materials come from to make up the goods.

Mr. McGEER: There should be no difficulty in that regard, because if those freights enter into the cost, they must be shown in detail in the statement of what makes up the cost. Certainly the internal freights from the manufacturing centres should not be difficult to segregate. As a matter of fact, in a great many instances you will find the manufacturers doing just what the hon. member for Kootenay East (Mr. Stevens) says should be done, namely, absorbing the freight. Under its present administration, this sales tax is going to add another discrimination against the west and the maritime provinces and give a further preference to the centralization of manufacturing in central Canada. That is the way in which the present method of administering the sales tax will work out and it is one of the matters that we shall have to face sooner or later.

Mr. DUNNING: I do not want to obstruct the passing of one of my own items, but I should like to direct the attention of the committee to the fact that we are discussing a special tax on automobiles. As I said a little while ago, this tax will not apply to any car valued at less than $650 ex manufacturer. Therefore, whatever my hon. friend has said has no application to the particular matter now before the committee. It seems to me to be improper that we should assume that manufacturers of automobiles are conspiring to collect as much as possible in the way of sales tax for the government. I think that is a ridiculous assumption. I am inclined to believe that they are trying to put their cars together and get them sold under conditions which will involve the levying of as little as possible in the way of sales tax. Obviously they can make no money out of the sales tax as such; they are merely collectors for the government. To adopt the assumption put forward from several quarters, one would have to believe that discrimination is created because the manufacturers have conspired together to add to the sales tax. I cannot believe that there is any other reason why a manufacturer should ship parts to western assembly plants than that of economy. If that method is cheaper, of course the quantum of sales tax would be one of the factors reduced by that process. This matter requires close examination such as was made by the tariff board of the whole structure of the tariff, the sales tax and the excise tax as they related to the automobile and other industries. It was partly upon this report that we acted in connection with this particular matter of a five per cent tax, which, I say again, does not affect any automobile valued at less than $650.

Mr. ROSS (Moose Jaw): These cars are made here and assembled in other places. The minister seems to think it would be a difficult matter to set a sales tax on these cars. There are only so many different types of automobiles made by each company and the department must have a list of these models and must know the amount of sales tax charged at the factory. I can see no reason why an identical amount cannot be charged in other places

in Canada for the same model of car. This centralized industrial area in this part of Canada has been charging other parts of the country excess prices for everything and surely the government should not act with them in placing higher taxation on these people. This is not necessary and the same rates could be charged in every part of Canada.

Mr. CAHAN: I think, as the minister says, we are getting far away from the issue raised in this resolution. For some months, two or three summers ago, I had something to do with the administration of the Department of National Revenue. My memory is clear that the sales tax was then levied in accordance with the statute. Section 86 of the statute states that there shall be imposed, levied and collected a consumption or sales tax of six per cent upon the sale price of all goods. The amount of this tax is now being increased to eight per cent. Paragraph (a) of the section reads:

(a) produced or manufactured in Canada, payable by the producer or manufacturer at the time of the delivery of such goods to the purchaser thereof.

Therefore, if commodities are sold at Oshawa or Toronto the sales tax of eight per cent will be computed upon the invoice prices.

Mr. YOUNG: What invoice prices?

Mr. CAHAN: The invoice price charged by the manufacturer or the producer for that commodity delivered at Oshawa. If any person wishes to obtain the commodity at the lowest possible price, all he has to do, if he is a resident of Vancouver, Victoria or Halifax, is to buy it at the price for delivery at the station where the commodity is manufactured.

Mr. ROSS (Moose Jaw): You would have to buy three cars.

Mr. CAHAN: Buy three cars?

Mr. ROSS (Moose Jaw): Surely.

Mr. CAHAN: No, not at all. You can buy any commodity for delivery and pay the sales tax on the minimum price for the sale of that commodity at the factory.

Mr. McGEER: How can you do that when you are assembling?

Mr. CAHAN: Just a moment, please. You can do better than that. Many commodities can be purchased for delivery at the place where the purchaser resides. In such cases the cost of transport from the place of manufacture to the place where the purchaser resides is paid for by the purchaser, as he must pay it, but in the case of a motor car he would pay very much less for transportation if he took his delivery near the place of his residence. In that case the manufacturer will sell to him and receive the price of sale, but the transportation charges will be cut down by reason of the fact that the manufacturer giving delivery to him at the place of his residence in any distant part of Canada will be able to transport in large quantities to that place of residence at a less cost for carriage than if it were one single package sent by freight or express, because in the transfer of large quantities from one part of Canada to another the transportation charges on goods in bulk are proportionately less than the transportation charges on single articles. The sales tax is levied and computed upon the purchase price, and is payable by the manufacturer or producer at the time of delivery of the goods to the purchaser. Therefore it is true that a purchaser residing near the factory may purchase at a price for delivery less than if he bought for delivery at a point 3,000 miles away. But if he buys for delivery at a point 3,000 miles away the sales price of the manufacturer will not cover all costs of delivery and insurance, and the cost to the purchaser will in such case include cost of transportation and cost of insurance. But it is a great advantage to the purchaser of many commodities to buy for delivery in his own town because in such case the manufacturers may arrange for transportation in large quantities, with the result that the individual unit is transported for very much less cost.

Mr. McGEER: The illustration just given by my hon. friend from St. Lawrence-St. George indicates something quite apart from the sale of automobiles. This sales tax is levied at the manufacturer's place. Cars go out to dealers in carload lots; they do not go out to individuals, and the question here is: can some way not be found whereby the tax on an automobile shall be somewhat the same in the maritime provinces and in the western provinces as it is here in central Canada? But quite apart from this whole question of assembling and complete manufacturing, one objectionable feature to any taxation is unequal taxation, and as this particular tax is being imposed there will be two effects: First, it will be a discrimination against the maritimes and the west and a preference in favour of central Canada; in addition, it will carry with it a burden of taxation on the user of the same commodity in the maritimes and in the western provinces that is not imposed on the user living in the central sections.

I quite agree that this question of unequal distances cannot be ignored entirely, but this house went very far in support of the principle I am now suggesting when the Maritime Freight Rates Act was passed under which a huge subsidy was paid out of the consolidated revenue fund to permit the haulage of freight from Halifax and Saint John in order to eliminate a geographical disadvantage. I quite agree that some problems of administration are involved in such an adjustment, but this is something which the minister should not dismiss just because of the difficulty. I think it is worthy of consideration.

Mr. McLEAN (Melfort): I would like to ask the Minister of National Revenue where the line is drawn between assembling and reassembling. I have listened to so many opinions from so many hon. members that I believe there is some confusion over what they are discussing. It seems clear to me that some are talking about assembling and others are talking about manufacturing.

Mr. EULER: The same thing.

Mr. McLEAN (Melfort): No. It is impossible for a manufacturer who is establishing himself in Winnipeg or Vancouver to avoid paying sales tax and excise tax on parts that enter into his product if he brings them in from all over Canada, but I do not think there is any such manufacturer in western Canada. It would be possible to do what the hon. member for Moose Jaw (Mr. Ross) suggests, namely, collect the same sales tax and excise tax on a car assembled in Winnipeg as are now collected on a car assembled in Windsor, if only the same manufacturers were making such cars and sending them out from Windsor. But if the manufacturer establishes himself in Winnipeg or Vancouver he does so simply to get lower costs than he would get in his own city. It becomes very important where the line is drawn between assembling and reassembling. The minister said that if a car was reassembled in Winnipeg there would be no additional charge added and there would be no tax, I understood him to say, on the freight from Windsor to Winnipeg.

Mr. YOUNG: Did the minister say that?

Mr. McLEAN (Melfort): Yes, he did. This is of a great deal more importance than appears on the surface because not only do we pay the thirteen per cent additional on automobiles, as was pointed out by some of my hon. friends, but this would apply also to other machinery that is shipped in a condition where it has to be reassembled before it goes to the ultimate consumer. It would apply to farm implements, for example, which are sent out in a condition where they have to be reassembled. I wish the minister would inform the committee—and if he has not the information before him now he can get it quite readily—just where the line is drawn between assembling and reassembling, say at Winnipeg, Regina or Vancouver, and where and how the sales tax and the excise tax making up the thirteen per cent are added, and whether they are added on stuff that is reassembled. I think if we had that information it would clarify the question.

Mr. EULER: It depends upon where the sale is made and upon the price.

Mr. ILSLEY: I have stated the principle that applies, and I cannot state it any more clearly. What I had better do, I think, is to find out just what is happening in reference to Ford cars and whether we regard what is happening in Winnipeg as assembling or as a manufacturing operation.

Mr. STEVENS: Will the item stand until we get that information? Otherwise—

Mr. BENNETT: May I point out that the question raised has no bearing upon the item now before us, although it has an important bearing upon an item just passed. I want to be able to give the information—

Mr. STEVENS: I was asking the Minister of National Revenue if the item stood.

Mr. DUNNING: Inasmuch as it is really my item I was trying to answer my hon. friend. The question which has been raised certainly does not apply to the resolution now before us; it would apply, I assume, to the one which we have passed. Be that as it may, I am anxious that the fullest information should be afforded; I should like to see if there is not some other item upon which we could give absolutely detailed information perhaps by eight o'clock this evening, and we can take up another item as the question is not properly applicable to this one.

Mr. STEVENS: We are on paragraph 4, Mr. Chairman, with reference to automobiles?

Mr. DUNNING: The special tax on automobiles.

Mr. STEVENS: That applies exactly the same.

Mr. DUNNING: No, because automobiles not more than $650 are exempt, and therefore the Ford car is exempt.

Mr. STEVENS: Most cars are more than $650, so the five per cent applies just the same as the sales tax; the same principle of discrimination is there.

Mr. McGEER: The situation is worse, because as a matter of fact the price of the manufacturer in the east is going to be under $650, whereas in the west the price will be over that amount, and carry the extra tax.

Mr. DUNNING: May I tell my hon. friend that that simply is not the case. I can answer that with great positiveness.

Mr. McGEER: Well, we pay the bills out there, and we happen to know some of these cases.

Mr. STEVENS: I frankly admit that the whole situation this afternoon perturbs me. I listened to the hon. member for St. Lawrence-St. George (Mr. Cahan), and I have no dispute with his review of the situation, but what we are seeking to evade or to avoid is this: Take a plant in Ontario; we have information from the hon. member for Ontario (Mr. Moore), in whose constituency is Oshawa, and who is extremely well informed, that that plant will draw from two hundred plants, and out of what it draws from those two hundred other plants it makes an automobile. Let us consider the case of a plant established at Vancouver, Regina, or Winnipeg, in the west, or in Halifax in the east, a considerable distance away from these two hundred plants, most of which are in Ontario. The western or the Halifax plant buys these parts exactly as the Ontario plants do, from the two hundred plants I have referred to; they haul all the parts to the west or to the east, and they pay a sales tax the same as Ontario, plus the difference in freight, plus a tax on the difference in freight.

Mr. McLEAN (Melfort): Surely it has always been that way.

Mr. STEVENS: That is so. If that is true—and it cannot be gainsaid—then, not by the handicap of geographical position, judged from the manufacturer's standpoint, but by act of parliament, by the imposition of a federal tax, the government is placing a handicap upon the western manufacturer. That, I submit, is not sound. What I wished a little while ago to draw to the minister's attention was that a sales tax or an excise tax such as this five per cent excise tax, wherever imposed in Canada, is supposed to bear with absolute equality upon all citizens no matter where they are. That is fundamental, and we are talking about fundamentals. If difficulties of administration offer obstacles, it is the duty of parliament to overcome those obstacles. If what the Minister of Finance (Mr. Dunning) and others have described as being the case is what exists in fact, it is almost impossible for a manufacturing plant to develop in the west. I have not forgotten the argument raised by the hon. member for St. Lawrence-St. George about the manufacturers shipping parts in bulk. That is merely a minimising of the manufacturing cost. It is all right as far as it goes. But why should parliament because of transportation handicaps, impose a larger sales tax rate or valuation in the west than they do in the east? As the hon. member for Moose Jaw (Mr. Ross) has well pointed out, take the case of a V-8 in Windsor and a V-8 in Vancouver. The western purchaser will pay, under those circumstances, substantially more in sales tax, even though the fullest advantage is taken of bulk carload shipments. I do not care what the method of handling is, whether it is a case of assembling or of shipping a car complete.

Mr. DUNNING: The hon. member says that the sales tax will be greater?

Mr. STEVENS: Yes, and the five per cent excise tax as well.

Mr. DUNNING: Well, we will find out. I can say positively, with respect to the excise tax mentioned in the item, that in connection with the Ford V-8 car it would not be so, because the sales tax would be non-existent at both points.

Mr. STEVENS: All right; the Ford V-8 may come under the $650 figure.

An hon. MEMBER: Take the Dodge.

Mr. STEVENS: Take the Buick, which is a very common car, and, as I have driven one for a great many years, I think it is a good car. I do not suppose there are any cars of that make which come under $650. Or we can take the Dodge, or the Chrysler, or a good many other cars; they would all come under the five per cent tax and the eight per cent tax. After all, we in this parliament dare not disregard the question of equity in taxation. I know the difficulties the department is up against, because I remember the way in which it struggled with this matter some years ago. But essentially I do not think this matter is very difficult, because all that would be necessary would be to say to the manufacturer that the question of transportation of parts need not be considered for sales tax purposes in the computation of the sales price, and that would end the matter.

Mr. DUNNING: But that is the present position.

Mr. STEVENS: No.

Mr. DUNNING: My hon. friend will permit me to answer him. He mentions the Buick car. The sales tax on a Buick car is the same, no matter where it is, because the sales tax is collected on the factory price, and the factory price is just at the one place.

Mr. ROSS (Moose Jaw): But if they were made at Regina—

Mr. DUNNING: Ifs and ands and buts bring us to this point: My hon. friend has just stated that the sales tax was assumed to be an absolutely equitable tax. A number of hon. members who have spoken have sat in this house all the years the sales tax has been in existence, and this is the first time I ever heard anybody claim that the sales tax could possibly be equal in its bearing on all citizens across three thousand miles of country. It is quite obvious that we have accepted, as this parliament accepted many years ago, the principle of the sales tax at the source as distinguished from the retail sales tax. The bearing of that tax could not possibly be equal on all citizens. The point at issue, as to whether it constitutes discrimination as between the east and the west, depends upon the source of raw material supplied. To the extent that a plant in western Canada would have access to raw materials of supply at a lower cost than a plant in the east, the advantage would be with the west. To the extent that the plant in the east had advantages in raw material or price costs over the plant in the west, obviously the advantage would be with the east. I would admit that at present I think—and I do not speak with the absolute knowledge that some members speak with—the balance of advantage is probably with the Oshawa or Windsor plant, because of the development of routes and the places from which raw material supplies come. But the things which enter into the car—the rubber in the tires, the asbestos linings, a thousand and one commodities—come from many parts of the world, and there are accumulated costs, as far as transportation goes, through the parts factories. The transportation costs from the parts factory to the automobile plant, as we use the term, also enter into the cost which becomes the basis of the final tax paid at the factory door when the car is going out. So far as the Canadian consumer of cars is concerned, the equity of the bearing of this tax, whether it be sales tax or this special extra tax, will be decided by the information which the Minister of National Revenue will have for us, I hope, by eight o'clock. That is to say, is there a lower tax payable on a car ex the factory door in Ontario than is payable on the same car which reaches, through one or more methods, the user of that car in any other part of Canada? That is a simple matter of fact. But I submit that when we go further, and try to demonstrate that this sales tax should be a tax bearing equally on all consumers, wherever they may be, we run absolutely counter to the fundamental of the tax itself, which is that it is a tax at the source, and that consequently its bearing must increase by distributing methods and distances and so forth throughout the country. I do not see how there is any escape from that.

Mr. STEVENS: The tax would not increase with distance. Surely if the tax is a tax at the source the tax would not increase by distribution. That is exactly our quarrel with this method of taxation.

Mr. DUNNING: But in its ultimate bearing on the consumer, of course, it would.

Mr. McGEER: How could it?

Mr. STEVENS: If the tax on a finished car was $100 in Oshawa it would not be any more at Vancouver, because the minister has already said that they do not tax on the freight on the finished product. But if the car is made in the west they do charge on the freight and on the materials which go into that car, which is a vastly different proposition.

Mr. ILSLEY: I have before me now the tariff board report on the cost of cars in all the important cities of Canada, and in every case the sales tax on a Ford tudor car is shown as $34.70. The cities enumerated are Halifax, Fredericton, Quebec, Montreal, Ottawa, Toronto, Hamilton, Windsor, Winnipeg, Regina, Calgary and Vancouver. The sales tax is shown as $34.70 on the same car.

Mr. STEVENS: But the minister will admit that those figures apply to cars which are finished here and shipped out as the finished product. Will the Minister of Finance, who knows something about this, tell us that the sales tax on a car produced in Regina is the same as the tax on the same car produced in Oshawa? General Motors have a plant at Regina, though it has not worked very much.

Mr. DUNNING: It has not worked for years.

Mr. STEVENS: Why? Because of handicaps, and this is one of them.

Mr. DUNNING: My hon. friend knows better than that. The answer is that the westen farmers have not had enough money to buy cars.

Mr. McGEER: They have bought plenty of cars.

Mr. STEVENS: The long and the short of it is that the plant was established in Regina to manufacture General Motors cars, but the sales tax on a car produced in Regina will be found to have been substantially higher, when that plant was running, than on a car produced in Ontario.

Mr. DUNNING: The tariff board made an exhaustive inquiry. The document from which the Minister of National Revenue quoted is a comparison of selling prices in 1935 of a Ford de luxe tudor in various cities of Canada and the United States. The various factors making up that selling price are given and in every case, as the Minister of National Revenue says, the sales tax factor is identical no matter for what city in Canada the price is quoted. I prefer to take the evidence of what I believe was a thorough inquiry, but again I will check it, or the Minister of National Revenue will check it, between now and eight o'clock, to find out what really is the situation. I have before me the information in regard to another make of car analyzed in exactly the same way, and with the same result all across the board. I used the Ford because that was the car about which the allegation was made.

Mr. ROSS (Moose Jaw): It is assembled in Winnipeg.

Mr. YOUNG: A long time ago I asked a simple question, but a great many other matters have intervened. I was not asking anything with regard to the manufacture of parts in the two hundred plants that have been mentioned; I asked this specific question: If a car is made in Windsor and is sent in a knocked down condition to Winnipeg, where it is finally assembled, would the price on which this special excise tax as well as the sales tax would be based include the freight from Windsor to Winnipeg? I am not just sure on that point. I understood the Minister of National Revenue to say no, but I understood the Minister of Trade and Commerce to say that it was included. As a matter of fact I think it actually is included. What has been said by the Minister of National Revenue and the Minister of Finance is, I think, quite true. I understand that the practice is not what the hon. member for Vancouver-Burrard thinks, but that the manufacturers redistribute that additional cost over all the consumers in Canada. I do not think we in western Canada actually do pay that extra cost, except our share of it, but that is the practice of the automobile people themselves and not of the Department of National Revenue. I believe the minister will find that to be the fact.



Mr. CAHAN: I suggest that on many of these commodities there is no additional cost. The difference in freight rates over short distances and long hauls must be taken into consideration.

Mr. DUNNING: Not by the department, in levying the sales tax.

Mr. CAHAN: No; but the manufacturer sets the price, and he sets the same price in all these cities, so apparently the eight per cent sales tax is paid on the same price whether you live in Winnipeg or Toronto. But the manufacturer can often do that without loss. I was interested in an undertaking in the west, and in purchasing machinery in England I found that the cost of freight from Liverpool to Montreal was exactly the same as the freight from Liverpool to Vancouver plus the railway freight over the mountain. I have seen freight bills showing the cost of transportation of certain commodities from Halifax to Truro. I do not know whether or not that condition exists at the present time, because it was some years ago that I was interested in such matters, but at that time it was cheaper to send the freight from Halifax to Montreal and back to Truro for delivery than to send it by ordinary local freight from Halifax to Truro. I remember the former member for Pictou, who is now in the senate, making similar calculations as between the long haul and the short haul. The fact is that the advantage given by the long haul to those who make use of it is of such tremendous importance that it must be taken into consideration if you are to consider the bearing of the cost of transportation.

Mr. DUNNING: In reply to my hon. friend from Saskatoon I would say that I have gone through each of these schedules, and they are all based upon the full delivered price not including taxes, freight or licence, and that figure is the same right across the board. The sales tax is also the same right across the board. Then there is a special municipal tax in Montreal; that is the only place where that cost enters. Freight, of course, varies right across the board depending upon the point of delivery and the licence factor also varies, though not markedly. It is $30 in Vancouver and as low as $15 in Windsor. The main factor of price differential

shown, that is from the factory on, is the factor of freight. There is no difference in the application of sales tax no matter where the Ford car is delivered, and inasmuch as it was in connection with the Ford car that the question arose—because it is the only car that is assembled, or whatever is done, at Winnipeg—it is quite apparent that whatever may or may not be the case with respect to freight rates, at least it does not enter into the matter we are now discussing because the sales tax applies on the factory price which is identical no matter where the tax is levied. I have the same information with respect to every automobile. I have gone through it, and I have found that while, of course, the amount of the sales tax varies in relation to the factory price of the car, in every case it is uniform right across the board throughout Canada, and the item which creates the difference is freight on the car, not sales tax on the freight.

Mr. NEILL: If the minister will add one remark to his statement he will satisfy me at any rate. He said that the sales tax was the same no matter where the car was sold; will he add "or no matter where it is assembled?" He told us early in the debate that the tax was levied upon the price at which the manufactured article is first sold. If it suits Ford to assemble at Winnipeg then the price he sells at there is different from the price he quotes delivered in Windsor plus freight. It might be held, and I think the minister indicated, that that is the price on which he assesses the eight per cent. In Winnipeg it would be higher on a car out of an assembling plant.

Mr. DUNNING: This is a comparison of selling prices in 1935 of a Ford de luxe Tudor at various cities in Canada and the United States—

Mr. NEILL: No matter where sold or assembled?

Mr. DUNNING: Each city is named separately, with the various items making up the price.

Mr. NEILL: Is it not all based upon the factory in Windsor?

Mr. DUNNING: No; it is the actual selling price.

Mr. NEILL: I am speaking of the case where the car is assembled at Winnipeg; it must take a bigger price.

Mr. DUNNING: My hon. friend forgets that I gave the various items, which showed that the freight is the variable item, with some slight variation for the licence. Perhaps someone can tell me what a Ford Tudor car costs in Regina?

Mr. ROSS (Moose Jaw): It costs $900 and something.

Mr. DUNNING: As I have indicated, $950. What is it in Vancouver—$996.70?

Mr. REID: No; it is over $1,000. I am quoting January prices.

Mr. DUNNING: This is $3.30 below $1,000. At any rate these are public documents; they were tabled in the house; it is easy by perusing them to find where the differences arise. I am not criticizing or commending the freight differentials, but I tell the committee that there is where the difference comes in, not in the sales tax.

Mr. STEVENS: That is not the point we have been debating at all.

Mr. DONNELLY: Is that the price on which the sales tax is collected? That is the retail price the minister is speaking of, not the price at which the company sells to the dealer.

Mr. DUNNING: The first item I read was $793 at the factory; the second was $34.70, both of them being identical across the board. The second item appearing in each case has a definite percentage relationship to the first, being the amount of sales tax actually payable with respect to that car in the whole of Canada.

Mr. DONNELLY: In each case that is the retail price to the consumer.

Mr. DUNNING: My hon. friend has not yet grasped the point. I will try again. The first item is the full delivered price not including freight, taxes or licence, $793 wherever you take the car. The sales tax is $34.70 wherever you take it. The freight varies all the way from $21 to Toronto and Hamilton, $47 to Halifax, $27 to Montreal, $103 to Winnipeg and so on.

Mr. CAHAN: That means the sales tax is never computed on the freight?

Mr. DUNNING: No; the sales tax is computed on the one item, the $793.

Mr. DONNELLY: You collect on the retail price, not the wholesale?

Mr. DUNNING: I am sorry my hon. friend does not yet grasp the point. It is the full delivered price not including taxes, freight or licence, $793 wherever you take the car, and the sales tax is $34.70 wherever you take it.

Mr. STEVENS: That is not six per cent on $793.

Mr. DUNNING: In 1935 the commissioner tells me that a five per cent discount from the manufacturer's price was allowed in calculating the sales tax.

Mr. STEVENS: That does not cover the point.

Mr. DUFFUS: I am almost sure that I am correct when I say that the sales tax is based upon the factory price less the dealer's discount, and that it is the same all over Canada no matter whether the car is sold retail or wholesale.

The CHAIRMAN: Shall resolution 4 carry?

Mr. STEVENS: No; the minister promised to look up certain matters.

Mr. DUNNING: In connection with another item, but I think the committee might extend me the courtesy of passing this one, in view of the fact that discussion has been tolerated on another all afternoon.

Mr. STEVENS: Surely the time has not arrived that the minister says he is tolerating a discussion.

Mr. DUNNING: No, I said that discussion has been tolerated.

Mr. STEVENS: Well, members of this house have rights, whether they sit on one side of Mr. Speaker or the other. The trouble with the minister—I am sorry to say this—is that he has persistently refused to see the point some of us have been trying to make. I admit that some of my friends in the east think we in the west are a little touchy on this theme, but the long and the short of it is that we have been trying for the last forty years to build up industries in western Canada and we are under a severe handicap right along the line, the chief one of course being the freight. But as long as the principle disclosed here to-day applies in the application of the sales tax, a handicap is imposed upon anyone who attempts manufacturing in western Canada as compared with those in the east, a handicap that is not incidental to either cost of machinery or transportation except in so far as the tax is applied on the cost of transportation in Canada.

I would like for a moment to get away from automobiles as an illustration. Let us take, for instance, farm implements; it has been amazing to me that the farm implement industry has not developed in western Canada. Now we have some idea of the additional cost imposed by taxation, and often a very few cents will either make or destroy an industry—



Mr. GOLDING: Is there a sales tax on agricultural implements?

Mr. STEVENS: I think there is; I am not sure of that. In any case—

The CHAIRMAN: With all due respect to the hon. member I think he is out of order in discussing farm implements.

Mr. STEVENS: Well, I think perhaps technically you are correct, Mr. Chairman. I said that I took them as an illustration, which is not entirely ruled out in discussion in this house. I was trying to get away from automobiles, about which the minister is a little worried and says that the committee has tolerated the discussion too long.

Mr. DUNNING: I did not say any such thing. I said that discussion has been tolerated this afternoon.

Mr. STEVENS: Well, I resent the suggestion that we should be described as being tolerated because we presume to discuss this item.

Mr. DUNNING: I did not describe the hon. member as being tolerated. My hon. friend is trying to put words into my mouth.

Mr. STEVENS: Well, let it pass. At the same time we are not entirely subject to the minister as far as our feelings go.

Mr. DUNNING: Allow me to have feelings too.

Mr. STEVENS: I am coming to this point; there is a thirteen per cent tax disclosed in this resolution, eight per cent sales tax and five per cent excise tax. There is no question that on cars assembled or in process of manufacture in western Canada there are imposed by the parliament sales and excise taxes upon the freight rate that goes into the movement of Canadian parts to the plant in the west. I submit that that is unfair. The finished product from the east may move to the west without any such imposition. We are not suggesting that there should be, but we are suggesting that the principle which applies to the finished product of an eastern factory should apply to the parts that go to a western factory, and that the incidence of sales tax in this instance should be equitable throughout the whole of Canada. Otherwise we impose a perpetual handicap on the development of industry in the western part of the country.

The minister quoted from a document to which I have not access. He says that it has been laid on the table of the house, but one copy among 245 members does not afford a very great opportunity to any member. May I ask the minister if it would be possible for hon. members to have copies of the report—

Mr. DUNNING: Would the hon. member be gracious enough to permit me to answer him?

Mr. STEVENS: Most certainly.

Mr. DUNNING: If my memory serves me correctly, the report comprises twenty-one volumes.

Mr. STEVENS: If one had access to those volumes he would perhaps be able to interpret them. The minister's interpretation of the document refers only to a car built in eastern Canada and could have no connection with plants that may be in existence in western Canada. It certainly does not apply to the Regina plant, which has had an unhappy record. There are two reasons why the plant in Regina should not have been successful; hard times was one of them and handicaps in assembling and manufacturing was another. There is a distinct handicap for any factory in western Canada, and the question regarding the Ford plant at Winnipeg has not been answered. That was the matter which brought me to my feet. A while ago we were assured that we would have an answer on the point, but we have not yet received it.

Mr. DUNNING: You will get it.

Mr. STEVENS: I protest against the application of the sales tax in an unequitable way throughout Canada.

Some hon. MEMBERS: Carried.

Mr. DUNNING: I do not intend to say "carried," because evidently some hon. members of the committee do not take my word when I say that the information will be produced fully, before the item is passed. It is only five minutes to six, and I suggest that we continue the discussion until six o'clock. I believe I indicated to the committee that my natural desire to pass the resolution had nothing to do with my willingness to bring down any further information, if there is any more, than is here contained. In asking that the item be passed I trust the committee did not deem me guilty of any discourtesy towards it. If I have shown a little impatience, I regret it. But I trust hon. members who are somewhat vigorous in their own speech will accord me the same privilege as they claim for themselves. After all, a minister of the crown has no less rights in discussion than any other hon. member. I claim no more, but I desire to take advantage of all the liberties enjoyed by my colleagues on the committee.

Paragraph 4 agreed to.

At six o'clock the committee took recess.

## After Recess

The committee resumed at eight o'clock.

Mr. DUNNING: If the chairman will call paragraph number 5, the Minister of National Revenue (Mr. Ilsley) will be permitted to give the information which he undertook to give before six o'clock.

The CHAIRMAN: We will call paragraph 5, Special War Revenue Act:

5. That schedule II to the said act, as enacted by section seventeen of chapter forty-two of the statutes of 1934, be amended by adding to paragraph (iii) thereof the following:—

Provided, also, that tax imposed under paragraph (iii) shall not apply to the goods mentioned therein, when sold to or immported by manufacturers of automobiles or chassis under the following conditions:—

(a) If less than ten thousand automobiles or chassis are manufactured or produced per annum and at least fifty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

(b) If ten thousand automobiles or chassis or more are manufactured or produced per annum and at least sixty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

Provided, however, that effective April 1, 1938, the words "sixty-five" shall be substituted for the word "sixty" in this paragraph.

Mr. ILSLEY: This afternoon certain questions were directed to the Minister of Finance (Mr. Dunning) and myself with regard to the payment of additional sales tax by reason of the fact that certain automobiles were assembled in Winnipeg instead of at Windsor. The particular automobile under discussion was the Ford. Information was given to the committee from a report of the tariff board to the effect that the sales tax on automobiles was uniform throughout the country, the model in question being the Ford de luxe Tudor, upon which the tax was $34.70 That information is correct. Some hon. members raised the question as to how such tax was reckoned, and one took six per cent on $793 which gave him a figure larger than $34.70. In order that there may be no doubt

as to how this figure is arrived at, I would inform the committee that $793 is the published or list price of the automobile. In order to arrive at the price at the factory door certain discounts must be considered. There is a dealer's discount of 21½ per cent as well as a further discount of five per cent which is of long standing and which, I believe, was originally a distributor's discount. Recently this discount has been discontinued as it has not been thought to be justified by the conditions of distribution in the automobile business. If 26½ per cent is taken off $793 and the tax of six per cent reckoned on what is arrived at, the tax will be shown as $34.70. I desire to make it plain that that is the sales tax which is passed on to the consumer in every part of Canada, whether he resides in Halifax, Montreal, Windsor, Winnipeg or Vancouver. There is no discrimination against any section of Canada or any city of Canada. There is no additional sales tax passed on to the consumer by reason of the fact that Fords are assembled in Winnipeg rather than being manufactured only in Windsor, Ontario.

There is one other point I should like to make clear. I tried to explain this afternoon that the sales price upon which the sales tax is computed is the price of a manufactured article at the factory door when the manufacturing operation is completed. I think I stated also that we have to decide whether an operation is merely an assembling one which the manufacturer carries on for certain profit or convenience, or whether it is a further manufacturing operation. I stated to the committee that I would ascertain whether we regarded the operation carried on by Ford at Winnipeg as an assembling or manufacturing operation. I now state to the committee that such operation is regarded as an assembling operation, and not as a manufacturing one. I think that answers the question.

Mr. BENNETT: The minister said six per cent; did he mean six or eight per cent?

Mr. ILSLEY: I was referring to what had happened up to the present. Of course, from now on the sales tax will be eight per cent and there will be the other taxes provided for in this resolution.

Mr. DUFFUS: What applies to Ford cars, obviously applies to all others. The opinion which I have obtained since the recess is substantially the same as that given by the minister. There is what is known as the factory list cost and then there is what is known as the dealer's list, which is also known as the billing cost. Upon that sum the sales tax is based. While I am on my feet I should like to point out that the argument made by the hon. member for Wood Mountain (Mr. Donnelly) is not correct. He stated that a dealer is not penalized for taking in a used car. The fact is that a dealer may have sold a new car in December for delivery in May and in the meantime he may have sold the car taken in, in exchange. It is not now possible for him to increase the sales tax on that used car. I claim that we as a parliament should reimburse the dealer for the two per cent sales tax where a sale has actually been made to the ultimate consumer, because it is not possible for him to increase the price accordingly.

Mr. MacKENZIE (Neepawa): Following up the discussion of this afternoon I have in my hand a letter received from a man in Manitoba in which he states that when he went out to buy a car he found the price increased by $28 because of the difference in sales tax. Would it be possible for this increase to amount to as much as that?

Mr. BENNETT: What was the price of the car?

Mr. MacKENZIE (Neepawa): No information was given. I know this man was driving a Pontiac last year.

Mr. BENNETT: That increase would be correct on a $1,400 car.

Mr. ILSLEY: It would depend upon the price of the car. If the hon. gentleman would like to communicate with me further and give me the name of the car and the price asked, I can go into the matter and tell him whether or not the statements made by the dealer are correct.

Mr. McGEER: I understand the sales tax is the same all over, but the reason it is the same is because the assembling plants in Winnipeg or Regina absorb it. This extra cost imposed upon these assembling plants because of the sales tax may be the reason for closing down the assembling plant in Vancouver. It is not so much the actual difference in the price of a car in the west; it is a question whether the imposition of a sales tax on a freight rate on parts going out to be assembled at these western points may in itself be sufficient to prevent the development of assembly plants there. All I would say to the minister is that there seems to me to be an opportunity to investigate possibly some field of administration to see whether an adjustment could be made so that there

would be no discrimination against manufacturing or assembling at western points. It may not be a matter that can be worked out, but I suggest that it may be worthy of consideration in the administrative program.

Mr. DONNELLY: We have just heard how the price of a car has been increased by $28, due to the sales tax, it is said. Such an increase on the wholesale price of a car would mean that the retail price to the consumer would be around $1,800 or $1,900 by the time the car got to Manitoba, paid freight out there, and the agent's commission. If that increase is due to the sales tax alone, it is collected on the retail price which the consumer pays.

Mr. ILSLEY: I have no knowledge that that increase is due to the sales tax alone.

Mr. RYAN: This afternoon the hon. member for Vancouver-Burrard (Mr. McGeer) made a statement that was not quite correct. He stated that the Maritime Freight Rates Act was passed to compensate for geographical difficulties. I cannot discuss that question on this resolution, but I will give a report of the Duncan commission to my hon. friend, and after he has read it I am sure that with his usual fairness he will be glad to withdraw that statement.

Mr. McGEER: I have read the Duncan commission's report through, and—

The CHAIRMAN: Order.

Paragraph agreed to.

On paragraph 5:

5. That schedule II to the said act, as enacted by section seventeen of chapter forty-two of the statutes of 1934, be amended by adding to paragraph (iii) thereof the following:—

Provided, also, that the tax imposed under paragraph (iii) shall not apply to the goods mentioned therein, when sold to or imported by manufacturers of automobiles or chassis under the following conditions:—

(a) If less than ten thousand automobiles or chassis are manufactured or produced per annum and at least fifty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

(b) If ten thousand automobiles or chassis or more are manufactured or produced per annum and at least sixty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

Provided, however, that effective April 1, 1938, the words "sixty-five" shall be substituted for the word "sixty" in this paragraph.



Mr. DUNNING: A word of explanation. The tariff board in reporting on the whole automobile industry stated in its report bearing upon this matter:

The board is of the opinion that the incentive for content supplied by the provisions of tariff item 438(c) could reasonably be supplemented by exempting from the tire tax such tires and tubes as are used for original equipment of automobiles produced by manufacturers, and having a British empire content as stipulated in the schedule.

That opinion the government concurs in, hence the paragraph now before the committee.

Mr. BENNETT: What I find a little difficult to understand—doubtless the minister will make it clear to me—is that first of all we are imposing a tax under paragraph (iii), section 17 of chapter 42 of the statutes of 1934, and then we say that the tax shall not be levied provided that the manufacturer makes less than 10,000 automobiles. If he makes more, then there is a different consideration.

Mr. DUNNING: There is a proviso.

Mr. BENNETT: Yes.

Provided, also, that the tax imposed under paragraph (iii) shall not apply to the goods mentioned therein, when sold to or imported by manufacturers of automobiles or chassis under the following conditions.

If he makes less than 10,000, and at least 50 per cent of the factory cost of manufacturing, exclusive of duties and other taxes, is incurred in the British empire, he does not pay any tax. If he manufactures more than 10,000 he has to have a sixty per cent content to escape the tax. If he makes 100 automobiles or chassis, then under paragraph (a) he escapes the tax.

Mr. DUNNING: Provided he has a fifty per cent British empire content.

Mr. BENNETT: Is not that exactly the opposite of what you want to do? You want to encourage the production of automobiles in this country, and the utilization of our own parts, giving employment to our parts-producing companies, but you say that they are exempt if they make less than 10,000 automobiles.

Mr. DUNNING: Provided—

Mr. BENNETT: Provided that fifty per cent of the content comes from the British empire. Well, that has been so for a long time.

Mr. DUNNING: This is giving the small automobile manufacturers, provided they come

up to the fifty per cent British empire content requirement, the same chance as the larger manufacturer would have. That is the idea of the board in making this recommendation. While the verbiage appears at first glance to be a little peculiar, I think when my right hon. friend examines it more closely he will find it carries out this idea.

Mr. COLDWELL: Have the 10,000 automobiles or chassis to be of one particular type or make or can they consist of all types made by one company?

Mr. DUNNING: All types made by a single manufacturer provided the content requirement is lived up to.

Mr. COLDWELL: If the government is giving a rebate of duty on account of tires of British content, should not that decrease the price of the automobile, if the tire on the original equipment is worth less on account of the reduction in duty? We hear so many complaints of the increased price of automobiles, and my observation has been that the price of tires is considerably less in the United States than in Canada.

Mr. DUNNING: We are not dealing at present with the tariff item. The tax which is referred to in this paragraph is a tax of two cents per pound by weight which tax now exists on tires, and three cents per pound on inner tubes. This is a cost reducing factor, taking it off under the conditions set out in the resolution. But as has been pointed out, there are other cost increasing factors. While it is perhaps premature to mention it, and while I do not desire to precipitate a debate on the tariff relating to automobiles, which we shall reach later, I should point out that the examination of the tariff board indicated that it would take some little time for the cost reducing factors to be really fully operative, but I will come to that later.

Mr. BENNETT: Is there any tax other than the tire tax covered by (iii) of schedule II?

Mr. DUNNING: No. Paragraph (iii) of schedule II relates entirely to the tire tax.

Mr BENNETT: The tire tax applied only in case of imported tires, did it not?

Mr. DUNNING: All tires.

Mr. BENNETT: I was not quite sure about that.

Paragraph 5 agreed to.

[Mr. Dunning.]

On paragraph 6:

6. That schedule III to the said act, being the list of articles exempted from the consumption or sales tax as enacted by section eighteen of chapter forty-two of the statutes of 1934 and amended by section seven of chapter thirty-three of the statutes of 1935, be further amended by adding to the said schedule the following:—

Materials, not to include lubricating or fuel oils or plant equipment, consumed in the process of the manufacture or production of taxable goods;

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county or township roads;

Printing paper and printing ink for use exclusively in producing quarterly, bi-monthly, monthly and semi-monthly magazines and weekly literary papers unbound;

Liver extract for use exclusively in the treatment of anaemia;

Goods enumerated in customs tariff items 695b and 696a.

Mr. MacNICOL: Take them up one at a time, Mr. Chairman.

Mr. DUNNING: I suggest, Mr. Chairman, that each one be taken separately to facilitate discussion.

6. That schedule III to the said act, being the list of articles exempted from the consumption or sales tax, as enacted by section eighteen of chapter forty-two of the statutes of 1934 and amended by section seven of chapter thirty-three of the statutes of 1935, be further amended by adding to the said schedule the following:—

Materials, not to include lubricating or fuel oils or plant equipment, consumed in the process of the manufacture or production of taxable goods.

Mr. DUNNING: This relates to an old bone of contention which, I know, will be remembered by many members of the committee. The consumable materials include driers, solvents and similar items which are used up completely in the process of manufacture of certain articles, but which, because they do not appear physically in the finished product, in the past have been taxable. By the granting of this exemption the administration of the sales tax will be simplified, and some double taxation will also be eliminated.

Mr. BENNETT: Yes, but this covers all materials. It reads, excepting lubricating or fuel oils.

Mr. DUNNING: "Consumed in the process of the manufacture or production of taxable goods." The department has considered this very carefully from the administrative standpoint, and is of opinion that consumable goods as defined here are now well enough understood, so that the clause can be administered in the spirit of the explanation I have just given.

Mr. MacNICOL: Take the case of cast-iron boilers made in a number of cities and towns in Canada. The boiler itself when complete will be subject to the sales tax?

Mr. DUNNING: That is right.

Mr. MacNICOL: Do I understand from this that all individual materials like cast-iron, crushed stone, sand, and everything else that enters into the manufacture, are exempt?

Mr. DUNNING: Cast-iron would be, of course, as a raw material. As to what would be considered consumable goods in that case it is pretty hard for me to say. There are thousands of items involved. Whether the sand, for instance, used in the foundry would be a consumable material might be a question. I assume it would not. It is only materials that are completely consumed in the process of manufacture.

Mr. MacNICOL: But the sand would be consumed in due course in the process of manufacture. After it has been used frequently it is no longer of any value.

Mr. BENNETT: It is not consumed, though.

Mr. DUNNING: There is a great deal of difficulty in distinguishing between this item of consumable materials and another item which is administered, called non-permanent equipment. I am advised that the sand would fall into the class of non-permanent equipment. It is still there when you get through.

Mr. MacNICOL: And the limestone that is used in the melting of the iron; it would be consumed.

Mr. DUNNING: The iron in question, being a raw material, entering into the finished article, would be manufactured under licence for that purpose, and would not be taxable.

Item agreed to.

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county or township roads.

Mr. GREEN: May I ask the minister why cities and municipalities are not given the benefit of this exemption? I take it that the idea is to promote the building and maintenance of roads, and surely cities and towns are entitled to just as much consideration as are the townships and counties of a province. This is particularly important in British Columbia, because we have no county or township roads there.

Mr. DUNNING: In connection with this item, my hon. friend from Vancouver-Burrard (Mr. McGeer) took it up with me, and I inquired into the situation. As regards the class of municipalities mentioned by my hon. friend for Vancouver South (Mr. Green), such municipalities already have exemption with respect to their own plants; that is to say, where they are in the business of manufacturing crushed gravel they are not subject to sales tax.

Mr. GREEN: Suppose they have no plant?

Mr. DUNNING: Supposing they have no plant, they are, and under this amendment as it now stands, would continue to be. There is some administrative difficulty in connection with the application of the sales tax to this class of commodity when used by public bodies. For instance, in the past provincial governments have not been taxed; there is a reason for that, of course. But on the other hand, if a contractor is working for a provincial government, and purchases gravel, it is necessary to apply the tax, and the same is true with respect to the other smaller as well as the larger municipal bodies. It is now thought that the tax can be administered with an exemption to the municipality and the county and the provincial government, even though contractors are doing the work. It sometimes happens that a purchase is made by the contractor for gravel from a pit owned, for instance, by the municipality. That, again, creates an administrative difficulty, and the Department of National Revenue believes that, having regard to all the factors, if the big city municipalities are exempt, and the smaller municipalities, counties and so forth are exempted under this new provision, it will be administrable and will bring a certain amount of needed relief in communities such as those referred to by my hon. friend. To go further: I understand the hon. member for Vancouver-Burrard will be asking now, what he has asked me privately, and what I think will be supported by the hon. member for Vancouver South, namely, to provide for municipalities other than those described in the amendment, the amendment being:

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county or township roads.

The other municipalities having their own crushing plants are already covered. The desire will be, doubtless, to have the exemption extended to include all gravel or crushed stone used by a municipality for the purpose of its roads or streets, regardless of whether the municipality has its own plant or whether it is operating through a contractor. The only objection to that is the difficulty of administrative dealing with contractors of a

municipality in relation to such matters. I have prepared an amendment, but really I have no very strong views on it; the administrative department is much more concerned than I am from the standpoint of revenue. The amendment is to substitute "crushed stone or crushed gravel purchased, produced or manufactured by any municipality exclusively for use in building and maintaining its roads or sidewalks, and not for sale." I should like an expression of view from the committee on that. The revenue involved is not considerable, but there is the fairly difficult problem of administration if the provision is widened to this extent.

Mr. GREEN: In British Columbia a large majority of the people live in municipalities or in cities, and it would be rank discrimination if they were not given that exemption. Is it the idea of the amendment that all gravel and stone used on municipal roads shall be exempt from sales tax?

Mr. DUNNING: The word "purchased" involves just that.

Mr. McGEER: I am trying to draw attention to the fact that an exemption has been extended on gravel used on provincial, county and township highways. I do not think there can be very much more difficulty in administering that tax if it is applied to a municipality than there will be in connection with a township. I notice that a number of townships in the east include places that normally would be municipalities. In the part of Ontario from which we have just returned there is a town called Kirkland Lake with a population of 18,000 which is within a township. If you are going to exempt what are obviously cities located within townships you can hardly be confronted with any administrative difficulties in a simple municipality, and you will straighten out this discrimination. I do not think it makes a great deal of difference to the municipalities, but as a matter of discrimination I think this amendment should be accepted.

Mr. ILSLEY: I would move the amendment to which the Minister of Finance referred.

Mr. DUNNING: This is not an amendment to the section before the committee but to the other provision already in the law with relation to municipalities.

The CHAIRMAN: The amendment reads:

Resolved, that it is expedient to amend the resolution proposing amendments to the Special War Revenue Act introduced on the first day of May, one thousand nine hundred and thirty-six, to provide that schedule three to the said act shall be amended by striking out the item reading as follows:

Crushed stone produced or manufactured by any municipality exclusively for use in building or maintaining its roads or sidewalks, and not for sale,

And substituting therefor the following:

Crushed stone or crushed gravel purchased, produced or manufactured by any municipality exclusively for use in building or maintaining its roads or sidewalks, and not for sale.

Mr. BENNETT: Cannot the minister accomplish his purpose by merely taking the item that is before the committee and adding a single word to make it read:

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, municipal, county or township roads;

Mr. DUNNING: No, because there is already an item which requires to be repealed.

Mr. BENNETT: Then just rescind that provision. This amendment, as it stands, involves the consideration of many factors which I do not think should enter into this discussion. If you just add the word "municipal" after the word "provincial" and repeal the provision concerning their own plants you have the matter settled.

Mr. McGEER: All that would be involved now would be this: If a municipality made a contract which involved the use of crushed stone, under this item the municipality would have to buy that stone as a separate item in the contract, in order to avoid payment of the sales tax. If a contractor bought it and used it on a municipal road it would not be exempt under the proposed amendment, but if a contractor buys gravel to carry out a contract made with a township, a county or a province he is not required to pay the sales tax. I think the suggestion of the right hon. leader of the opposition is the happier one, because it would completely eliminate all suggestion of discrimination.

Mr. DUNNING: Of course the distinction is the one to which the hon. member for Vancouver-Burrard draws attention. Under the amendment as proposed the municipality would have to be the purchaser of the gravel. From an administrative point of view this would be much easier to administer if we had an exemption from sales tax on gravel purchased or produced by the municipality, instead of trying to dig out the actual gravel factor involved in a contract with a city. We admit at once that with respect to these smaller towns it is very difficult to apply the provision in the same way, and that is why we are asking for two separate sections. Surely it will not be a hardship on the larger muni-

cipality to buy its own gravel as a separate item in order that there may be the greatest ease in the administration of the sales tax rather than to have in each contract a separate item which will show the price of the gravel. Really that is the object of handling the matter in this way.

Mr. McGEER: There is the danger that a contractor supplying gravel to a city and at the same time supplying gravel for the construction of a building, which latter gravel would not be exempt, may not keep his accounts so accurately as to be able to separate the gravel, and may chisel on one or the other contract, so that he would not get the benefit of this exemption in his public business. Speaking with some knowledge of general administration in cities, I do not think there will be very much difficulty in meeting the situation where the amount of gravel to be used in the contract is sufficient to make the sales tax a factor, and I do not see any difficulty in meeting that situation.

Mr. STEVENS: May I point out to the minister that the only difficulty arises in this way, that in some provinces, notably British Columbia, they have no counties or townships; they use the term "municipalities." We have dozens of districts there which are termed "municipalities," but which are exactly the same as counties in Ontario or other eastern provinces.

Mr. DUNNING: They are called "municipalities," and the new amendment will cover them.

Mr. STEVENS: But why should they not be on exactly the same basis as a county? Perhaps we ought to call them "counties," but we do not. They are exactly the same as the county of Frontenac, the county of Carleton or any other county; they have just the same organization, but they are called "municipalities." The minister will please bear in mind that this does not affect only the large cities. Take the numerous small municipalities, as we call them, or what would be called towns in Ontario—

Mr. DUNNING: They would be exempt all the same; all they would have to do would be to purchase the gravel themselves, and they would be exempt.

Mr. STEVENS: Why should they have to purchase the gravel themselves while the county does not have to do so? Why could you not simply say "provincial, municipal, county or township roads," and this would cover the whole business.

Mr. DUNNING: But you do not get away from the administrative difficulty of which I spoke.

Mr. BENNETT: If the minister will look at his amendment I am sure he will realize that it does not accomplish the purpose he has in mind. He brings into this committee a resolution which exempts from all sales tax crushed stone or gravel to be used exclusively in the building or maintenance of provincial, county or township roads, wholly irrespective of by whom it may be purchased. That is the position. Now, what is suggested is that we add the word "municipality," and if there is difficulty about administration—

Mr. DUNNING: With but one qualification.

Mr. BENNETT: No; there cannot be even that. The government proposes to exempt from taxation any crushed stone or gravel used exclusively in the building or maintenance of provincial, county or township roads. Now we add a fourth class: municipal. As far as administration is concerned the proposed amendment complicates the matter. It means that unless they are in the business themselves they do not get the exemption.

Mr. DUNNING: No; in that case they merely require to purchase their gravel.

Mr. BENNETT: But they must sell it to the contractor. Suppose, as the hon. member for Vancouver-Burrard (Mr. McGeer) says, they call for someone to repair half a mile of street. He puts in his tender. Of course he adds the sales tax.

Mr. DUNNING: No; they call for tenders less the gravel, which they supply themselves.

Mr. BENNETT: Then, why say with respect to township, county and provincial roads that there is not going to be any trouble, and that there is because you add municipal? If it is good for three it must be all right for the fourth.

Mr. McGEER: Where could there be any difficulty in administering that tax where you exempt the provincial authority? I shall give a concrete example. We have about three large crushed stone and gravel companies in British Columbia. They supply gravel to one province, to the unorganized territories and to the cities, and in addition the same companies supply the bulk of the gravel used in all buildings. There could not be anything more comprehensive than the activity of the General Gravel Company. They are in every line of business. If the

same concern presents an administrative difficulty in the lesser activity of supplying gravel to a municipal road it cannot possibly be an administrative problem as great as that involved in its activity on the general provincial account. So there can be no justification for continuing the discrimination on the ground of administrative difficulty. It is something that is not of great importance, and if the suggestion of the leader of the opposition were accepted and the word "municipal" added and the other provision exempted, that would bring everything on the same basis.

Mr. DUNNING: All right; I at any rate am convinced, and as I am not the administrative department I can the more easily accede to the proposal. That would involve an amendment to the printed resolution inserting the word "municipal" after the word "county."

Mr. BENNETT: The amendment as it stands would be all right down to the substituted part.

Mr. DUNNING: The printed copy would then read:

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county, municipal or township roads.

If that is agreeable, the proposed amendment being withdrawn I will ask my colleague now to move:

That the item reading as follows in the existing law be now struck out:
Crushed stone produced or manufactured by any municipality exclusively for use in building or maintaining its roads or sidewalks and not for sale.

That would be entirely unnecessary after the insertion of the word "municipal."

Mr. MacNICOL: Would this item include stone and gravel used in the construction of street railways? For instance, in Toronto the Toronto Transportation Commission, I understand, builds the roadways and lays the tracks but does so at the expense of the city. Would this include gravel and stone used in that kind of work?

Mr. DUNNING: If it is used in the building or maintenance of a provincial, county, municipal or township road it would be exempt. The item does not mention railways but I do not anticipate that there would be any difficulty. It would be difficult for the department to claim that that part of the gravel which was under the street car tracks was taxable while the rest was not. As a practical matter I have no doubt about it.

Mr. BENNETT: What in practice is the fact now? Do they collect sales tax on that?

Mr. DUNNING: In practice such municipalities come under the other section.

Mr. BENNETT: I understood as an administrative matter that where contractors are working on some of our roads it was ruled by the department that they were not called upon to pay this tax, and in other cases they were. I want to know what the practice of the department is.

Mr. ILSLEY: Up to the present, if a contractor purchased the stone it was taxable, as in such cases it would not be sold to the province.

Mr. BENNETT: Suppose he used it on a provincial road, does he pay tax?

Mr. ILSLEY: Legally he was taxable.

Mr. BENNETT: Some, I think, escaped.

Mr. ILSLEY: There are some border line cases with which I am familiar.

Mr. DUNNING: There will not be any under the amendment.

Mr. ILSLEY: I see this difficulty under the amendment. The hon. member for Davenport (Mr. MacNicol) has raised the point whether stone and gravel purchased by a street railway company for use in its railway on a city street is taxable. I should say it was. If there is any administrative trouble about the matter we may have to reconsider it, because it is certainly the intention of the department to collect the tax in such a case. With the amendment first proposed that difficulty could not have arisen because the crushed stone would have to be sold to the municipality or be produced by the municipality before it was exempt.

The CHAIRMAN: The proposed amendment is:

Resolved, that it is expedient to amend the proposed amendment to the Special War Revenue Act, introduced May 1, 1936, to provide that schedule III of the said act shall be amended by striking out the item reading as follows:—

Crushed stone produced or manufactured by any municipality exclusively for use in building or maintaining its roads or sidewalks and not for sale.

Mr. DUNNING: That comes out, and the other in the printed resolution goes in.

Mr. BENNETT: Quite so.

Mr. MacNICOL: Would the Minister of National Revenue give me an explanation of what I am now about to say. As I understand it the Toronto Transportation Commission operates a street railway in the city of Toronto. It built the street railway, and has built the roadway.

Mr. ILSLEY: The city builds the roadway.

Mr. MacNICOL: No; the street railway built the roadway under and adjacent to its tracks, but did it for the city. As the transportation commission is a body operating under the control of the city, I would understand that gravel or sand required in their construction work would be exempt under this amendment. If not, why not?

Mr. ILSLEY: They would not be entitled to exemption, because they are purchasing material for the construction of a railway, not a roadway. The works the hon. member has mentioned do not constitute a highway belonging to the municipality. It is a railway, belonging to the commission.

Mr. MacNICOL: The railway is owned by the city, and the lines are on and form part of the highways.

Amendment agreed to.

Item as amended agreed to.

The CHAIRMAN: We now come to the item dealing with:

Printing paper and printing ink for use exclusively in producing quarterly, bi-monthly, monthly and semi-monthly magazines and weekly literary papers unbound.

Mr. NEILL: Reverting to the last item may I ask if the minister has put in the word "municipal"?

Mr. DUNNING: Yes.

Mr. MacNICOL: When I read the item the chairman has just read I think of the saying about locking the barn door after the horse has been stolen. That does not exactly fit this item; perhaps it would be proper to speak about putting the feed into the barn after the horse has died. In the trade agreement between Canada and the United States the government did crucify the printing industry, so far as the printing of United States magazines in this country is concerned. Some twenty-one American magazines that were printed in the city of Toronto are not now printed in Canada. I went to see two plants only recently, one in my own riding and one just outside it. One plant had been printing twelve American magazines, six of which have already been discontinued and the remaining six are being carried for a period of six months. The other plant which was printing a number of American magazines had a staff of seventy-three, but is now operating on a staff of forty. In the amendment the government seeks to help, but the help comes too late. To a certain extent the industry has already been killed.

Mr. DUNNING: No, no.

Mr. MacNICOL: Well, at least to the extent I have indicated, and I have mentioned only two plants. I know there are plenty of others. Now those plants are to receive concessions on printing paper and printing ink, but nothing under this item on the machinery required to do the printing. The two plants about which I have spoken had already purchased their machinery, while a third plant about which I know had recently purchased machines from New York, but hoping that the duties would be lowered in the budget they issued instructions not to ship the machines until after the budget was brought down. To their surprise, while the tariff did not go down the sales tax went up, and one machine cost them $160 extra. If the government had taken this action prior to or at the time they entered into an agreement with the United States perhaps the industry would not have been so seriously afflicted. While this may help some new business of the future, it does not help the industries which have already lost the printing of American magazines.

Mr. DEACHMAN: Does the item include farm magazines? It reads:

... producing quarterly, bi-monthly, monthly and semi-monthly magazines and weekly literary papers unbound.

Does that include farm magazines appearing weekly?

Mr. DUNNING: Yes, it does.

Mr. DEACHMAN: Would they come under "weekly literary papers unbound"?

Mr. DUNNING: I do not know whether the hon. member has in mind something beyond that which is in the minds of those of us who have the matter in hand, but certainly the intent of the item is to cover all farm magazines, so far as we know anything about them.

Mr. DEACHMAN: I am satisfied about that. On a strict reading I could not see that the item included the publications I have

mentioned, but I am satisfied with the minister's explanation. I am not trying to go beyond the terms of the item, but I wished to know if those magazines were included within its scope.

Mr. DUNNING: Yes.

Mr. BENNETT: Of course to me this is most iniquitous. In all the resolutions I cannot conceive of anything quite as bad. Confronted with a situation that admits into this country hundreds of thousands of American magazines of all types and kinds we are now stating that we are going to help the domestic magazines by giving them freedom from excise tax and freedom from a sales tax on ink. Then we turn to the tariff and say that we are going to make the Canadian people pay half the rebate of duties. In other words all Canadian taxpayers have to reward one set of publishers by paying half the amount of money they pay in, because there is a rebate of fifty per cent of the tax paid.

It is well known that before 1930 one publisher was buying his magazine paper from the United States. He paid a duty on that paper, and received a fifty per cent rebate, which we abolished.

Mr. DUNNING: Eighty per cent, was it not?

Mr. BENNETT: Eighty per cent, was it? I thought it was reduced to fifty per cent. Now, in view of what has transpired under the Canada-United States trade agreement we have all these magazines coming into Canada and making a desperate effort to get circulation in this country. Despite what has been said, we get nothing by way of revenue on advertising. An advertising charge in the way of taxation is nothing new; it is a customary procedure in many countries. Some of them make a flat advertising tax. We are losing half a million dollars, to begin with, which is a substantial sum of money.

We are now going further, and we say that we are going to relieve a certain type of publication, not the daily newspaper on its printing paper, and not the daily newspaper on its printing ink. We are going invidiously to pick out certain classes, and they are those who use the paper thus bought exclusively in the production of quarterly, bi-monthly, monthly and semi-monthly magazines, and weeekly literary papers unbound. How printing ink would be used on a literary paper bound would be difficult to understand. They might use it at first; I thought the hon. member for Huron North was coming to that point. I did not hear clearly what he said It strikes me that the item as it reads is not very clear. Does it carry the full rate of eight per cent, or half the rate?



Mr. DUNNING: The full rate.

Mr. BENNETT: We have raised the sales tax by two per cent on all other people who have to do with the production of magazines or papers. But within a selected group we have said that not only have we not raised it but we have taken if off altogether. The weekly newspaper in Canada has a harder row to hoe than has the magazine. I read of a magazine with a circulation of one-quarter of a million and we are now saying to them that if they will import their paper, we will saddle on the Canadian taxpayer fifty per cent of all the money they pay for duty. We say to them that on the ink as well as the printing paper they buy, we will free them from sales tax. A small weekly newspaper in some remote village with a circulation of 1,000 or 1,200 is forced to pay the regular sales tax. I think this is the most unfair discrimination in favour of one select group. Of course it is done because of the propaganda which was carried on throughout the country and with which we are all familiar. After what was done in 1930 I do not think a week passed when I was not attacked in some of these papers, and I suppose I shall continue to be attacked. However that is not a matter of importance. I suppose there will be a corresponding laudation of the government for all that it has done.

Mr. DUNNING: I shall feel hopeful for that.

Mr. BENNETT: The hon. gentleman has taken every means to secure it.

Mr. DUNNING: I think I am entitled to it.

Mr. BENNETT: If they are so ungrateful as to pass the hon. gentleman by, I will be amazed. Is the action the government is taking quite fair? Immediately this budget was announced certain ink producers in the United States began to try to sell their inks in Canada. These inks will be free of sales tax. Item 1060 shows a drawback of fifty per cent on paper of all kinds, when used by the publisher or printer in Canada in the production of periodical publications enjoying second-class mailing privileges. There are also other provisions with regard to ink, but for the moment I cannot turn them up. I protest against this as being most unfair discrimination in favour of a particular publisher.

Two Canadian paper manufacturers have endeavoured to produce the type of paper required for magazines. One company is the Howard Smith company and the other the Provincial company. Both companies have large mills and they have devoted themselves to the production of this type of paper. As their market in Canada is small, obviously there must be a slight difference between American and Canadian prices, but this is what one would expect. I do not know what this provision may mean to the Provincial mills, but I know they made extensive preparations to supply this paper. When we were considering the matter in 1930 Mr. Howard Smith came here and told the MacLean Company that he would supply their requirements in magazine paper, and I believe he did. This is a better class of paper than that used in newspapers. It is calendered to some extent and has a glossy surface. It has to pass through further manufacturing than the cheaper grades. I am leaving out the question of duty. Instead of reducing the duty by one-half, we are going to allow a rebate of fifty per cent. The Canadian companies were supplying the major part of the MacLean Company's requirements.

It strikes one as being a little odd that these people should not be willing to make some contribution to Canadian development. I am not unconscious of the attacks which will be made upon me in consequence of my saying this, but that will not deter me from doing what I consider to be my plain duty and pointing out exactly what this means. This concession has been obtained by the carrying on of a type of propaganda which, because of its character and extent, has been noteworthy in every part of Canada. It will be recalled that part of this propaganda was the indication of what this publisher had been able to accomplish in twenty-five years. It showed the small lean-to in which he had started twenty-five years ago and his present magnificent and very valuable plant. If this great accomplishment could be brought about in twenty-five years, surely he cannot complain that the country has treated him so badly. There is only one obvious answer. In my judgment this item will require much explanation to convince the average man that it is not clear discrimination against others, especially when it is coupled with the other item which places upon the taxpayers of Canada the sole responsibility of paying half the tax imposed upon importations of paper for the purposes of printing certain types of periodicals.

The CHAIRMAN: Shall the item carry?

Mr. BENNETT: I simply say, no.

Mr. CLARKE (Rosedale): Did I understand the minister aright when he said that the crushed stone and gravel used between the car tracks on the roadway—

The CHAIRMAN: I must tell the hon. member that that item has been passed.

Mr. CLARKE (Rosedale): I did not understand that we had passed to the next resolution. We are on paragraph 6 which covers crushed stone and gravel.

The CHAIRMAN: The crushed stone item has been carried.

Mr. CLARKE (Rosedale): But the whole paragraph has not. I am asking only for information.

Mr. DUNNING: At the commencement of the discussion we decided to carry each item separately, so I think the ruling of the chair is correct. However, if my hon. friend does not desire to reopen the discussion but wants only information, I think that can be given.

Mr. CLARKE (Rosedale): The portion between the two tracks of a street railway is used by the public and therefore I contend that the crushed stone or gravel used thereon should be exempt from the tax.

Mr. ILSLEY: I have given my opinion on that point. I am free to confess that the matter presents some difficulty and we may have to give it further consideration. My opinion, however, is as already stated to the colleague of the hon. gentleman.

Item agreed to.

Liver extract for use exclusively in the treatment of anaemia.

Mr. BENNETT: Other goods of the same type or class receive the same treatment, I believe?

Mr. DUNNING: This is in addition to the list.

Mr. McNIVEN (Regina): Would the minister give favourable consideration to including in this item the medicine known as glycine? This medicine is imported from the United States, the only place in the world where it is manufactured. It is used for the treatment of muscular dystrophy, a disease which afflicts young children. A number of children throughout Canada are suffering from this disease. There is one in the city of Regina; there are four in the province of Saskatchewan; there is one I know of in the province of Manitoba, and I have just received a newspaper clipping which indicates that there are twenty-four in the city of Toronto. The disease is incurable and it

attacks the muscles of young children. They are quickly converted into wheel-chair patients; they soon become bed patients and finally pass away.

This treatment or medicine, glycine, was originally controlled by one concern in the United States and the price was $50 per pound, but the Mayo clinic got control of it and reduced the price to $4.50 per pound. The treatment requires one pound per month, costing $4.50, and it is subject to a duty of thirty-five per cent and sales tax of eight per cent. In view of the fact that recovery is not possible, and that when a child is afflicted it requires treatment over a long period of years, which means a steady drain upon the financial resources of the parents, I think we might well include this medicine in the same category as liver extract, and the minister might agree to an amendment for its free admission and its exemption from sales tax when imported for the treatment of muscular dystrophy. I have already given much of this information to the minister, but I had not communicated to him the subject matter of the newspaper item which I received this morning. It is a statement from Doctor Barraclough, of the Hospital for Sick Children, Toronto, that the disease is incurable. The man in Regina whose child was afflicted wrote to Doctor Barraclough in the hope that there might be some further relief, but Doctor Barraclough's reply was that the disease was incurable, and that this medicine, glycine, afforded some relief. I would be very glad indeed if the minister under these circumstances would include glycine, giving it as favourable consideration as liver extract.

Mr. LEADER: In support of what the hon. member for Regina has just said, we have in Portage la Prairie a case of a child who is afflicted with this disease and has been declared incurable. The only source from which this medicine can be procured—I forget the name of it but the minister will perhaps remember—is from Rochester, Minnesota, from the Mayo brothers. I expect it is the same medicine that my hon. friend from Regina city mentioned a moment ago. I have already taken the matter up with the minister, and while he has not given me an entirely satisfactory answer I trust he will reconsider my request coming as it does now in conjunction with that of the hon. member for Regina City, and exempt this medicine at least from the application of the sales tax, if not the duty.

Mr. DUNNING: I think the circumstances related by the two hon. members who have just spoken are such as to arouse the sympathy of the committee to consider placing this medicine glycine on the list of articles exempted from sales tax. I may tell my hon. friend from Regina city that I have simply had no time or opportunity to check up thoroughly on the matter since he brought it to my attention. In connection with matters involving the use of a name such as this it is desired to check up very carefully. If, as I think will probably be the case, the committee would be sympathetic to doing something of the kind suggested, perhaps it might meet the case if it were understood that between now and the time the bill covering these matters comes up, we would endeavour to get all the particulars about this medicine, and if everything my hon. friends say is confirmed, we can include it in the bill. It would not be quite regular, but we could amend the bill in that manner.

Mr. BENNETT: Amend the bill.

Mr. DUNNING: That, I think, is more desirable than making the amendment here simply by inserting a name. I should like to make very sure about the matter. I would ask my hon. friend the Minister of National Health to give me his opinion on the question, but I do not believe he has ever heard of the medicine. I should, however, appreciate any scientific assistance that he can give me in the matter if it would facilitate our doing something along the line suggested.

Mr. POWER: To-morrow.

Mr. McNIVEN (Regina): I thank the minister very much. There is another matter to which I should like to direct the attention of the minister. I am informed that a device which is used for the extermination of gophers is exempt from this particular tax, but that the ingredients of the gopher poison which is used are subject to the eight per cent sales tax. The ingredients are strychnine and certain other commodities, all subject to the sales tax, while the completed preparation is exempt. Now, the gopher is a real western menace, and municipalities throughout the western provinces annually spend many hundreds of thousands of dollars in the extermination of the gopher. We are very anxious indeed that when the western crop does come it shall be preserved from the ravages of the gopher, and it would facilitate matters very much and be of real assistance to the municipalities if the ingredients going into the manufacture of this gopher poison could be exempted from the provisions of the sales tax.

Mr. ILSLEY: There is one very serious objection to granting the hon. gentleman's request; that is that the ingredients of this gopher poison are articles which are used for a great many other purposes, and administratively it would be very difficult to follow them. It would hardly be practicable to exempt them from the sales tax when used for this particular purpose, and I assume that all my hon. friend is requesting is that these ingredients be exempted from the sales tax when used in the manufacture of gopher poison. The fact that they can be used for so many other purposes would make a provision of that kind almost impossible to administer.

Item agreed to.

Goods enumerated in customs tariff items 695b and 696a.

Mr. MacNICOL: What about item 695b?

Mr. DUNNING: Item 695b covers handmade drawings, or sketches or designs, but not including patterns, viz: drawings, sketches or designs of wearing apparel, including boots and shoes, wall or floor coverings and table fabrics, wall or floor coverings and textile fabrics when imported in single copies of such drawing, sketch or design for use in the manufacture of wearing apparel, boots or shoes, table fabrics, wall or floor coverings or of patterns. The inclusion of this item in the list of exemptions is designed to simplify administration. The revenue is unimportant and is not worth the trouble. Item 696a covers educational moving picture films. Provision is currently being made in the customs tariff, and in the schedule of exemptions from the three per cent special tax, to have this film admitted to Canada free, incidental to an international convention in which it is expected that Canada will participate. While the convention does not specifically call for exemption from sales tax, the item is being included as appropriate in view of the fact that educational supplies such as textbooks and certain phonograph records at present enjoy exemption from sales tax.

Mr. BENNETT: When the bill is before the committee I should like the minister to give me an indication of the amount that is involved in this paragraph 6.

Mr. DUNNING: I think I can give that approximately now.

Mr. BENNETT: I do not ask for it now. It would be satisfactory when the bill is before us.

Mr. DUNNING: I see I have only some of the information available. I will give it when the bill is in committee.

Item agreed to.

Mr. DUNNING: I have a rather important amendment, Mr. Chairman; it will read:

Resolved, that it is expedient to amend paragraph 6 of the resolution, proposing amendments to the Special War Revenue Act, to provide that schedule III of the said act shall be amended by striking out the items reading as follows: lard, when produced in Canada; salt, when manufactured or produced in Canada; hops, when produced in Canada; and substituting therefor the following: lard, salt, hops.

At the present time, in connection with these three items, a discrimination exists in the levying of sales tax on imported salt when none is levied upon salt produced in Canada. The same is true with regard to lard and hops. The sales tax in these three cases becomes in fact really tariff protection, because it is levied upon the imported article and not upon the home produced article. It is thought desirable to eliminate a condition of that kind.

Mr. BENNETT: The minister has not overlooked what he has done in the tariff with respect to hops.

Mr. DUNNING: No, I have not overlooked that at all. It does not make any difference.

Mr. BENNETT: Does this mean an eight per cent tax on hops, or is it four?

Mr. DUNNING: With regard to the hops' item I might point out that the same practical result does not follow as follows in the two previous cases, because hops come in under licence, and in consequence do not pay a tax.

Mr. BENNETT: Does this take the tax entirely off them?

Mr. DUNNING: Yes.

Mr. STIRLING: It takes the sales tax off them.

Mr. DUNNING: At present there is no tax on the home produced article. By reason of the amendment there will now be no tax on the imported article.

Mr. BARBER: Does it mean that the tax still remains on the home produced article?

Mr. DUNNING: No.

Mr. CAHAN: As I understand it, the items in schedule III of the Special War Revenue Act are exempt from the sales tax, and the resolution now before the committee is to strike these several commodities out of schedule III?

Mr. DUNNING: No—if my hon. friend will permit me—to strike out the present language which confines the tax exemption to the home produced article and to include just the words of the commodities themselves, which will have the effect of making the articles free of tax whether they are imported or produced at home.

Amendment agreed to.

Paragraph as amended agreed to.

7. That schedule V to the said act, as enacted by section nineteen of chapter forty-two of the statutes of 1934 and amended by section nine of chapter thirty-three of the statutes of 1935, be further amended as follows:—

i. By inserting therein after the words "not to include" in the second line thereof the words "automobiles adapted or adaptable to passenger use."

Mr. BENNETT: After this amendment is made, how would it read?

Mr. DUNNING: It would then read:

Articles on which other excise taxes are imposed on importation by part XI of this act, not to include automobiles adapted or adaptable to passenger use, tires of rubber, including inner tubes—

And so forth. The reason for this change is that, as the Special War Revenue Act now stands, automobiles pay this three per cent special excise tax. No change in effect is being made on account of this wording; it merely continues to tax those items which would otherwise have been technically exempt on account of changes in the act incidental to the revision of the excise tax on automobiles.

Mr. BENNETT: That means that the three per cent tax will still be payable?

Mr. DUNNING: Yes.

Mr. BENNETT: The hon. gentleman read, after the words "automobiles adapted or adaptable to passenger use," the word "tires."

Mr. DUNNING: That is in the present act.

Mr. BENNETT: Will not some further action be necessary?

Mr. DONNELLY: That will mean that the duty on automobiles will be practically 20½ per cent?

Mr. DUNNING: Just a minute; wait till I get through. There will be no change at all in the treatment of "tires of rubber, including inner tubes . . . . trailers and other wheeled attachments." They still remain.

Mr. DONNELLY: I say that the duty of 17½ per cent and this special excise tax of three per cent will make the duty on automobiles 20½ per cent?

[Mr. Cahan.]

Mr. DUNNING: Yes.

Mr. BENNETT: Plus sales tax of eight per cent on the duty paid price.

Mr. DUNNING: Yes.

Item agreed to.

ii. By adding thereto the following:—
Goods enumerated in customs tariff items 695a, 695b, and 696a.

Mr. DUNNING: These are the same items I mentioned before in connection with the other amendment, but with one addition, and that is under paintings in oil or water colours. The inclusion of this item from the exemption list is designed to remove difficulties in bringing into Canada collections of paintings for exhibition purposes. While some of these paintings may incidentally be sold, most of them are reexported, and require orders in council in order to secure refunds of the tax paid upon reexports. The revenue aspect of granting this exemption is unimportant, but administratively it is important.

Mr. McNIVEN (Regina): May I ask the minister a question with regard to moving pictures and sound films? A large dealer in Saskatchewan, who has worked up a considerable business in the northern states, informs me that he has imported films from the United States into Canada, paid duty, then sent them back to the United States, where they were shown in schools and in community centres, and then, on bringing them back into Canada, has had again to pay duty on them. Or, on the other hand, he has had Canadian pictures and sound films made in this country and taken over to the United States, and when he was bringing them back into Canada, had to pay duty on them. Will this particular provision eliminate that difficulty?

Mr. BENNETT: He can get a refund by putting up a bond.

Mr. McNIVEN (Regina): These are films that are educational and are sent to schools and community centres.

Mr. ILSLEY: The proposed amendment has nothing to do with the matter that the hon. member for Regina (Mr. McNiven) has placed before the committee. The matters to which he has referred are matters of customs administration, and if he will give me the particulars I will look into them. At the moment I cannot say what general rules apply, but I am under the impression that the narrative of fact as related to the house is a trifle improbable.

Mr. BENNETT: I think not. If the films go out and come back again the dealer is, I think, allowed to put up a bond. In a case

that came under my observation, the film was imported once; then it went down to the United States to be used, and when it came back a second time, the customs authorities tried to collect double duty. This has been dealt with by an arrangement being made whereby the dealer puts up a bond. The film is just temporarily absent from the country; it comes back again, and that is all there is about the matter.

Mr. ILSLEY: Yes; it is a matter of procedure, or taking the proper steps, that is all. If the hon. member will tell me about those cases I will tell him just what his friends will have to do in future.

Item agreed to.

Materials for use in the manufacture of binder twine and fishing rope.

Mr. DUNNING: These items are being put on the exemption list from the three per cent special excise tax in order to exempt domestic manufacturers from a tax on raw materials which their competitors abroad are not compelled to pay.

Item agreed to.

Paragraph agreed to.

8. That any enactment founded on paragraphs one to seven inclusive of this resolution shall be deemed to have come into force on the second day of May, one thousand nine hundred and thirty-six, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day and to have applied to goods previously imported for which no entry for consumption was made before that date.

Mr. BENNETT: We have amended two or three of these paragraphs, and I remember that on one occasion some difficulty arose in this connection. Perhaps "any enactment founded on paragraphs one to seven inclusive as amended" would be desirable, because that would represent the bill as it will come in founded upon the resolutions adopted by the house. The resolutions include not only those that were before the house when the hon. gentleman made his budget speech but also the amendments made in committee.

Mr. DUNNING: I thank the right hon. gentleman for his suggestion, and I will ask my colleague to move that the paragraph be amended to read:

That any enactment founded on this resolution as amended shall be deemed to have come into force on the second day of May—

And so on.

Mr. ILSLEY: I so move.

Mr. MacNICOL: As crushed stone and gravel will not likely be taken out of a warehouse but be taken rather out of a yard, a quarry or a pit, should not those words be added after the word "warehouse"?

Mr. DUNNING: There is no doubt about that; it is covered.

Paragraph as amended agreed to.

Resolution as amended agreed to.

Mr. BENNETT: Perhaps, when the bill is before the house, the Minister of National Revenue will give us some information as to the number of rebates that have been made in connection with crushed stone and gravel.

Mr. ILSLEY: Very well.

CUSTOMS TARIFF AMENDMENT

5. Resolved, that schedule A to the customs tariff being chapter forty-four of the revised statutes of Canada, 1927, as amended by chapter seventeen of the acts of 1928, chapter thirty-nine of the acts of 1929, chapter thirteen of the acts of 1930 (first session), chapter three of the acts of 1930 (second session), chapter thirty of the acts of 1931, chapter forty-one of the acts of 1932, chapters six and thirty-seven of the acts of 1932-33, chapters thirty-two and forty-nine of the acts of 1934, and chapter twenty-eight of the acts of 1935, be further amended by striking thereout tariff items 16, 28, 28a, 35, 79b, 83(a), 99c, 113, 142, 147, 168, 173, 178, 180a, 183, 199b, 200a, 206, 206a, 208h, 208i, 219d, 219e, 224, 259, 267, 267a, 267b, 268, 269, 270, 271, 272, 273, 274, 275, 284, 286, 288, 312a, 323, 326a, 362, proviso to 380(b), 404b, 409b to 409k inclusive, 409l, 409m, 409n, 409q, 410d, 411b, 412, 412a, 422a, 424, 427, 427a, 428a, 428b, 429(a), 429(g), 430, 430a, 431b, 431c, 435, 438a, 438b, 438c, 438d, 438e, 438f, 438h, 438i, 445a, 445f, 445g, 445k, 445m, 446a, 455, 462, 463, 473, 476a, 494b, 505, 513, 522, 522c, 523, 523a, 523b, 529, 529a, 532, 558b, 558d, 561, 564b, 567a, 569c, 569e, 584a, 584b, 587a, 603, 607 (part 2), 657a, 663c, 672a, 695, 695b, 698, 698a, 703, 718, 783, 802, 811, 813, 818, 821, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:—

Customs tariff—9c. Horse meat, tripe and other animal offal, unfit for human consumption, and cereal meal, when for use exclusively in the feeding of fur-bearing animals: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. BENNETT: What are the importations under this item?

Mr. DUNNING: It is a new item.

Mr. BENNETT: I see it covers a combination of three items.

Mr. DUNNING: It is extracts from three items, in order to provide a free item for fox and animal feeds. I have an amendment

to qualify it to some extent; it is difficult to define. I will read the item as it will read as amended:

Horse meat, tripe, and other animal offal, ground or unground, unfit for human consumption; feeds consisting wholly or in part of cereals but not including baked biscuits; all the foregoing when for use exclusively in the feeding of bur-bearing animals or in the manufacture of feeds for such purposes.

Mr. STEVENS: May I draw the attention of the minister to a matter I spoke of the other night? I have no desire to put the minister to a great deal of trouble, because I appreciate the difficulty of explaining these items, but all through this new schedule as indicated by the resolution just read by the chairman, a great many items are repealed as they are in the present tariff; in many instances they are consolidated into a new item, and I have no doubt frequently the reading is considerably changed. It is quite possible that these changes will be far more significant than appears on the face of the resolution, and while I do not desire to put the minister to a great deal of trouble I think, as we go through the schedule, it would be well if he could explain the reasons why these various items were consolidated and just what has been brought into the new item. This is going to be a matter of some difficulty, but if it is approached in that way from the commencement, perhaps it will minimize the minister's troubles.

Mr. DUNNING: Since my hon. friend spoke of the matter the other evening I endeavoured to get a comprehensive exposition of the features to which he referred. In most cases I found that "consolidation" is not really the proper word to apply. This first case is one in point, where something which has been under a general item—

Mr. BENNETT: Or several items.

Mr. DUNNING: —or several items, is extracted and made subject to a definition such as the one here, "when used for feeds for fur-bearing animals;" that is made into a tariff item. That is true of most of the changes. But there are some fairly important exceptions, and if my hon. friend will look through the list provided in connection with the cases, such as the automobile schedule and the oil schedule, which originally were based upon reports from the tariff board, he will see that we have given in each case the tariff item presently applying to the item under consideration as well as the rates.

Mr. STEVENS: Yes, I notice that applies to a good many.

[Mr. Dunning.]

Mr. DUNNING: That applies to what might be called the major items. But in order to try to meet the situation outlined by my hon. friend I have three or four pages of these items extracted in order to provide a better definition. I am afraid handing them to my hon. friend would not be very helpful, except with the explanations which I have before me and which I shall be glad to give as we go along.

Mr. MacNICOL: In reference to this item there is a plant on Keating street, Toronto, employing, I believe, about one hundred and fifty to perhaps two hundred men, in continuous operation. I cannot say that I know very much about it, I wish the hon. member for Danforth (Mr. Harris) were present; he would be an authority on whether this item will increase or decrease employment in this line in Canada. Can the minister tell us whether putting all these articles on the free list will injure that plant or help it; will it increase or decrease employment?

Mr. DUNNING: I do not think it will have much effect on the Toronto plant one way or the other. Products of the kind named in the item now under consideration are, my notes say, available in Canada, but because of the transportation factor they are not available to the fur-farming industry in certain provinces.

Mr. BENNETT: Meaning the maritime provinces.

Mr. DUNNING: The maritime provinces; for instance fox and mink farms in Prince Edward Island cannot pay freight on offal from Ontario and Quebec abattoirs. Even in the face of the existing duties the fur-farmers of these provinces have, of necessity, because of the transportation factor, had to rely to a great extent upon feeds imported from the United States.

Mr. STEWART: Could the minister give the particulars of the imports?

Mr. DUNNING: Feed of this kind has come in under so many items that it has never been separately classified.

Mr. MacNICOL: What would be the effect in Ontario, because there are some fur farms in Ontario. Doubtless the plant on Keating street supplies the farms in Ontario that raise the animals to which these items apply. The question is what the effect will be on employment in that plant.

Mr. DUNNING: Does my hon. friend mean to say that there is in Toronto a plant employing over one hundred men manufacturing for fur-bearing animals this feed other than biscuits?

Mr. MacNICOL: I said that there is a plant on Keating street, Toronto, employing one hundred and fifty to two hundred men, handling carcasses of horses, grinding them up. I am not sure what they do with them, but a lot of this offal material is sold to farmers raising fur-bearing animals.

Mr. TUSTIN: Regarding the next item, cereal meal, I understand there is a great deal of dry bread brought in from the United States. Is dry bread included under this cereal meal as it is baked or ground?

Mr. DUNNING: In the amendment we have got away from the term "Cereal meal," because of complications of that kind. I shall read that part again:

Feeds consisting wholly or in part of cereals, but not including baked biscuits.

Practically the only thing excluded is baked biscuits, because it would be quite impossible to administer that in relation to other biscuit items, so biscuits are excluded. But any other form of feed for fur-bearing animals is included.

Mr. TUSTIN: I take it, then, that dry bread is allowed to come in free of duty for fur-bearing animals?

Mr. DUNNING: Yes.

Mr. BENNETT: This, it seems to me, is an item which may be of very great importance in Canada. If we get into the habit of discontinuing domestic production of feeds for any of our fur-bearing animals we are going to find ourselves in the position where, if the supply is cut off, we shall be in difficulty. There are in this country enough horses which are no longer useful to take care of that. But what I do object to is the provision in respect of cereals. It is always a matter of great concern to think that we are going to rely upon a preparation of food produced in a foreign country, and after we have completely exhausted our own supply by reason of competition, find that the price becomes immediately increased. I do not know that that is going to happen in this particular case, but I do know that this is of a class of items which has created a great deal of anxiety on the part of those responsible for tariffs. It would seem to be a most admirable thing to say to the fox farmers of Prince Edward Island, and the residents of that province who were so generous as to return the minister to parliament. It would be very, very wrong if that province were without reward for its efforts in that regard.

An hon. MEMBER: What about Nova Scotia?

Mr. BENNETT: Nova Scotia took no part in that. I know of one or two cases in which we have made just such concessions as these, and we found that the last state was worse than the first because local production was driven out by reason of competition from abroad under the free list. But if the minister states that the fox farmers now have to buy this feed from the United States, that gives the item a different significance in one province. However it does not overcome the difficulty in Ontario, for instance, which raises a substantial quantity of fur bearing animals on fur farms scattered throughout the province.

Mr. DUNNING: The fears of my right hon. friend I believe are not well founded. After a careful examination I find that while it is true that the province which I have the honour to represent produces the finest foxes in the dominion—

Mr. BENNETT: And the finest oats and wheat, I suppose.

Mr. DUNNING: —and is the province in which the commercial development of the industry was first commenced, it is also true that Prince Edward Island foxes are now found practically from coast to coast and are used for foundation stock for an industry growing almost in all parts of Canada, and nowhere more than in the middle west where it has been found that in some areas at any rate the climate is eminently suitable for the development of the industry. I am convinced that the fear which my right hon. friend has expressed as to the effect upon manufacturers of this material located in other parts of Canada will not be realized, because the prime factor with respect to ingredients of this kind is that of the freight. It is really an offal article, with the exception of a small inclusion of cereal meal, and that sort of thing. For instance, no imported article could possibly pay the freight and compete in the northern Ontario fox farms with the article which could be produced at certain of our Ontario abattoirs. The same is true across the country, with the possible exception of parts of northern coastal British Columbia and all three maritime provinces which at the present time, despite tariffs, find it more

economical to import the offal for fox feeding than to pay the transportation costs which would be inevitable on shipments of an article of low value from central Canada to the maritime provinces.

Mr. BENNETT: The special excise tax applies?

Mr. DUNNING: There are men in this chamber who know the industry better than I do. I am trying to make myself acquainted with the important factors in the constituency which, as my right hon. friend has pointed out, has done me the honour of returning me to this house. I do not pretend to know all about fox farming, but from such study as I have made of it I am convinced that this is a concession which will be of considerable value to an industry which is growing in importance, and which will not be harmed elsewhere.

Mr. BENNETT: Will this feed pay special excise tax?

Mr. DUNNING: Yes, it is subject to special excise tax.

Mr. STEVENS: Has the minister considered the possible effect upon Australian and New Zealand treaties? We gave both those countries some consideration in the free importation of frozen rabbits for fox feeding purposes. While that may sound more or less trivial the fact is that one of our great difficulties in making agreements with both countries was that of finding some concessions which could reasonably be made to them. This was considered a real concession.

Mr. DUNNING: It has not proven to be of any importance, whatsoever.

Mr. STEVENS: It has not?

Mr. DUNNING: No, it is negative.

Mr. STEVENS: As a matter of good faith, have they been notified?

Mr. DUNNING: Yes, they know about it.

Mr. CAHAN: Is it true that the maritime provinces cannot produce at reasonable cost the food required to feed the fur-bearing animals they are raising? That seems an astounding statement to make. I should like to know what proportion of this food comes from domestic production in the three maritime provinces, and what proportion is imported. I have been in almost every school section of the maritime provinces, and I cannot understand why they cannot produce this food economically so as to feed the foxes they are raising.



Mr. DUNNING: It is not that they cannot produce it, but rather that in the nature of things the proper food is an offal byproduct of another operation. It is a product of an abattoir. This is one of the uses for particular types of offal which are created in quantities capable of commercial development only in large scale abattoir operations. I think all hon. members who are familiar with the matter will confirm what I say in that regard. As is well known, large scale abattoir operations are not a feature of the commercial or industrial life of the maritime provinces. I assure the hon. member that to-day sufficient of these commodities is not available, and for that reason it is imported into the maritime provinces.

Mr. CAHAN: Does the minister say that all of it is imported?

Mr. DUNNING: The great bulk of it.

Amendment agreed to.

Item as amended agreed to.

Customs tariff—9(d). Baby chicks, n.o.p., each: British preferential tariff, free; intermediate tariff, 4 cents; general tariff, 5 cents.

Mr. BENNETT: This is an item in which there is a raising of the tariff, I suppose.

Mr. DUNNING: In this instance we have a specific duty instead of an ad valorem duty. It is difficult to apply a percentage of the value of baby chicks.

Mr. BARBER: What was the total protection last year?

Mr. DUNNING: There was last year a special valuation of thirty cents.

Mr. BENNETT: That was under section 43.

Mr. DUNNING: Yes, under section 43. In some years importations of baby chicks have reached large proportions. In 1930, 924,000 were imported, to the value of $116,000, and then they were made subject to a valuation for duty purposes amounting to thirty cents per chick. This involved payment of a heavy dumping duty and a decline in imports was noticeable. In 1931, 770,000 chicks

were imported, to the value of $90,000; in 1932, 24,000 valued at $7,000; in 1933, 5,400 valued at $1,600; in 1934, 3,200 valued at $875, and in 1935, 2,900 valued at $560.

Mr. BENNETT: They are used in the production of what are known as broilers?

Mr. DUNNING: Yes.

Mr. STIRLING: What is the effect of the change? Does it maintain the tariff at about the same rate?

Mr. ILSLEY: Perhaps I could answer that question. In the last three or four years the special value placed on baby chicks has operated almost as an embargo, because there was a thirty cent value on an article worth five cents or ten cents. The dumping duty was so high it was impossible to import them. When the trade agreement was made with the United States the value for duty purposes was cancelled and, if I remember correctly, the duty on baby chicks became 17½ per cent.

Mr. STIRLING: That is correct.

Mr. ILSLEY: That is a very low rate. The other rate was prohibitively high, but on the other hand 17½ per cent is very low, and is difficult to calculate.

Mr. BENNETT: What is the average invoice price on those?

Mr. REID: Ten cents.

Mr. ILSLEY: It varies.

Mr. BENNETT: I believe at one time they were down to five and six cents.

Mr. ILSLEY: I would have said ten cents but one of the officers says about fifteen cents.

Mr. BARBER: They are selling at five cents in California.

Mr. ILSLEY: This duty of four cents per chick is reasonably high or reasonably low, depending upon how you look at it.

Mr. BARBER: What protection was provided last year?

Mr. ILSLEY: I can figure that out for the hon. gentleman.

Mr. STIRLING: Is it 17½ per cent of thirty cents?

Mr. ILSLEY: We will follow that through.

Mr. DUNNING: There was a dumping duty.

Mr. ILSLEY: Last year, each chick would be valued at thirty cents. Then the tariff would be reckoned on the—

Mr. BENNETT: Five and one-quarter cents.

Mr. ILSLEY: The tariff rate would be reckoned on the thirty cents, the value for duty purposes. We have that, but that would be only the start of the amount. You would subtract the invoice price from the value for duty purposes. If the invoice price was ten cents, that would be twenty cents. You could not charge the whole twenty cents because that would be more than fifty per cent of the thirty cents. You could charge only fifteen cents of that.

Mr. BENNETT: You could only charge ten cents. The difference between thirty and ten is twenty, and fifty per cent of twenty would be ten.

Mr. ILSLEY: It is fifty per cent of the value for duty purposes, which, I think, is thirty cents. Therefore, the dumping duty would be fifteen cents plus 5¼ cents, or 20¼ cents. That would be the effective rate on the ten cent article, which would be a little over 200 per cent. In addition, there would be the three per cent import excise tax on the duty paid value, whatever it is by this time, and the six per cent sales tax, if it is not on the exempted list, and I do not believe it is. They would all have to be added and would increase the protection to that extent. I think it would bring it up to between 200 and 300 per cent. Last year we went down to 17½ per cent and now it is made four cents per chick, which is about forty per cent on a ten cent chick.

Mr. WOOD: I think the government are to be congratulated upon the very fair attitude they have taken with regard to baby chicks. It is not altogether a matter of protection or tariff for revenue; there is the question of the health of our flocks to be considered. If chicks were allowed to come in too freely they would be brought in from sections of the United States where the health of the flocks is not guarded. We have in Canada flocks equally as good as those in the United States; in fact I think this is characteristic of all our live stock. On the average I think our live stock in Canada is better than that in the United States. A four cent duty is fair and it will permit chicks to be brought in from special flocks when extra stock is needed. It must not be forgotten that there are certain prohibitive arrangements

between some of the provinces in connection with the shipment of chicks and it would hardly be fair to let them come in from the United States more easily than they could be brought in from another province. I believe this duty of four cents per chick meets with the approval of the chick hatcheries of Canada.

Item agreed to.

Customs tariff—16. Eggs in the shell, per dozen: British preferential tariff, 2 cents; intermediate tariff, 5 cents; general tariff, 10 cents.

Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country.

Mr. BENNETT: There are two questions I wish to ask in connection with this item. How are you going to impose the new duty—by order in council? Will this be taken as sufficient warrant for collecting a higher duty?

Mr. DUNNING: It is administrative, yes.

Mr. BENNETT: There is a rather important proviso:

Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country.

Mr. DUNNING: Yes.

Mr. BENNETT: That means that some action must be taken by someone so to do. I should think that would mean by parliament when no provision is made as to who is to take the action. When you say that additional duties shall be imposed, normally that means by parliament, unless you say that they are to be imposed by the governor in council. That is my first observation.

Second, I still think that a countervailing duty is a very dangerous thing to apply in a country such as Canada, having regard to our proximity to the United States. My first connection with countervailing duties arose from the export of coal from Lethbridge to Oregon and Washington. It will be recalled that the Americans provided in their tariff that if any country imposed upon coal from their country a duty which was higher than the American duty, then there should be corresponding increases in the American duty. We found ourselves excluded from that market by reason of the fact that we had put a duty on American coal in excess of the American duty on our coal. This is the difficulty, as I see it, in imposing countervailing duties in



connection with a country like the United States. They have a population of perhaps 130,000,000, whereas we have a population of only 11,000,000 at the most. We say that we have made up our minds as to what duty we shall place on some commodities, and we apply that duty. Then they have a duty which is not the same as ours. We say to them that if they impose upon goods from Canada charges more onerous than are prescribed by Canada, duties equivalent thereto shall be imposed upon the like goods imported into Canada from such country. Is that likely to have any effect upon them? From what we know of the conduct of their fiscal policy in years gone by can we say that it will not have some effect? I think it would have been better if the minister had taken a direct instead of an indirect course and provided a duty on eggs similar to the duty now prevailing in the United States on eggs from Canada. Otherwise we are going to have a separate tariff with respect to every country from which we might possibly import eggs. To take a direct course and provide for a British preferential, an intermediate and a general rate, possibly with the intermediate at ten cents, would have been the most simple way of dealing with the matter. In order to get over that, knowing that congress is not going to deal with tariffs this year, the president having so stated, we must at once impose by some method the higher duty upon eggs. This provision as it reads says, "shall be imposed." What is the length of time that you give them to think about it?

Mr. ILSLEY: We are treating it as almost meaning collect.

Mr. CAHAN: Then say so.

Mr. BENNETT: That is a very, very different thing. As it reads, it says "such goods the produce of the Dominion of Canada." Then you cannot put in "shall be collected," because that is permitting another country to make your tariff for you. In other words, when a collector has to impose his rate he has immediately to look at the tariff of the United States in order to collect his tax. There has been no imposition, and an imposition is necessary to found a tax. This is not an imposition. It says "shall be imposed." That means that some authority must impose it. I took it to mean the governor in council, which I think would be the proper authority to deal with the matter. It would be an anomalous situation, would it not, if you put yourself into the position of

saying to the collector of customs at a port of entry with respect to eggs coming in from the United States, "tax that at the rate fixed in the United States tariff."

Mr. ILSLEY: You do not tell him that at all. You tell him what to collect.

Mr. BENNETT: Collect what?

Mr. ILSLEY: We know the United States tariff and we tell him to collect that duty. We do not leave it to him.

Mr. CAHAN: But you have no authority to do so. The tax must be imposed before it can be collected.

Mr. BENNETT: There can be no collection without imposition. It is not a question of law or a technical matter at all. There must always be an imposition of a tax before its collection, and the imposition can take place in one of two ways; by the direct action of this parliament, or by action, having regard to the decision of the privy council in the Apollo Candle case, that celebrated case from Australia, deciding that there may be a delegation of that power, and the proper course I suggest would be by the governor in council. I am not making this part of my submission with any political motive at all; I am simply saying that there cannot be a tax unless it is imposed. A tariff is a tax, as everybody says, and there cannot be a tariff unless it is imposed. But the imposition of it involves the collection of the amount fixed by the imposing act. That would mean that there should be some authority here. The language struck me at once when I began to read it. It says "shall be imposed on the like goods." Somebody must impose the tax.

Mr. ILSLEY: Impose means place upon.

Mr. BENNETT: Yes, but it says, "shall be."

Mr. ILSLEY: That is what we are doing; we are placing the duties upon these goods.

Mr. CAHAN: We have to delegate the authority.

Mr. ILSLEY: It is future imposition.

Mr. BENNETT: Certainly. At this moment the government for a reason best known to itself has not seen fit to fix a higher tariff on eggs, but has said: We are going to adopt the American tariff—knowing that there will be no congressional tariff action this year. Therefore, we must collect on the basis of the higher tariff. But instead of saying that, the government say, "there shall be imposed." Now there is a period during which the United States, if their congress were dealing with tariffs, might modify or change that tariff. The result, of course, would be that the tariff would at once go down or go up, as the case might be. But when you say a tariff "shall be imposed," that contemplates action in the future, in futuro, not presently, and the power must be somewhere granted by this parliament. The proviso as it reads would leave the power where it rests, with this House of Commons and the Senate and the crown. If some power other than parliament is to exercise authority, that must be specified in the enacting statute. But this is silent in that regard.

I suggest to the minister that if he wants to make this proviso of any value at all—I am opposed to the plan as a matter of principle, because I am satisfied that it has always worked to our detriment—he should add words so that it would read "shall be imposed by the governor in council on the like goods imported into Canada from such country." That keeps our records clear. That puts Canada into the right place. That does not put us into the position of taking the tariffs of another country, and upon that telling our collectors to try to collect on a given figure which is fixed by the congress of the United States or by the parliament of Japan or Czechoslovakia. On the other hand, when we take action by order in council, we make allowance for the variations which may exist in various countries, and then we should at least be doing what the Liberal party has always pointed out should be done, namely, allowing parliament to have a little something to say about the question of tariffs. As it stands now, parliament is absolutely without authority. Somebody imposes a tariff, and I can find no authority by which he does it unless you provide the wording in the section itself.

Mr. ILSLEY: The whole difference between the leader of the opposition and ourselves is in the meaning of the word "impose." We have taken it that the word "impose" means place upon, and if we read it in that way—

Mr. BENNETT: That does not help you. It then would read "shall be placed upon."

Mr. ILSLEY: Provided that, if any foreign country places upon such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be placed upon the like goods imported into Canada from such country.

Mr. CAHAN: Who is to place them?

Mr. ILSLEY: We levy the duties. I submit that is all the authority we require. I understand thoroughly the point of the right hon. gentleman, but really I do not think the language needs alteration.

Mr. CAHAN: Would it not be far better to make it clear? It certainly is not clear, and I do not see, when there is a clear difference of opinion and a simple change would make the meaning clear, why that change should not now be adopted. Parliament itself can delegate its authority, but it must delegate its authority to some particular person or persons, and the power so delegated can be exercised only by the person or persons to whom the power is delegated. If a collector of customs at some port undertook to collect a higher duty because of the countervailing duties, I would not hesitate for one moment to bring an action to compel a return of those duties. You could make it clear by making this imposition of duties mandatory. And it is mandatory if you designate a person or persons to carry out the mandate, but I cannot understand how the mandate can be effective unless the persons are designated who are to carry out the mandate and exercise the power.

Mr. BENNETT: There is another argument and it might as well be made because from another ground altogether this proviso is valueless as it reads. It says: "Provided that if any foreign country imposes." Then it adds the words, "shall be imposed." That means a future action. It does not contemplate what the present position is at all. If you want to be exact about it; if you want me to make an argument which I think, although one is diffident about saying this, could be enforced by a court, the position is simply this, that you have an existing condition, a present duty, and you contemplate a future duty and future action by us. We know what the duty is in the United States at this minute, and the proviso should read: "Provided that, if any foreign country has imposed or imposes a duty in excess," because we are dealing with a future condition. I do not think there is any question about this at all.

Mr. ILSLEY: This is hair-splitting to quite an extent.

Mr. BENNETT: No, not as regards tariffs. In any taxing statute the law is very severe.

Mr. ILSLEY: It is quite clear that we are not referring to action to be taken hereafter by a foreign country in imposing a duty.



Mr. BENNETT: I would say, quite the opposite.

Mr. ILSLEY: Well, suppose I am right, for the sake of argument.

Mr. BENNETT: Yes.

Mr. ILSLEY: The next step which follows is this, that the word "imposed" does not refer to the legislative act at all; it refers to the collection of duty. What it means is that if another country is collecting from us a duty on our goods greater than we are collecting from it, we are to collect that duty. That is what all of us take it to mean.

Mr. CAHAN: But you cannot collect unless the duty is previously imposed by legislative power.

Mr. ILSLEY: This imposes it.

Mr. BENNETT: Well, it is always gratifying to find my Liberal friends making arguments like that. I never expected to live long enough to hear the Minister of National Revenue make the argument he made just now. Just listen to what he says: Duties equivalent thereto shall be imposed. I put it to this committee: Do they know of any way by which a duty can be imposed in this country except by this parliament, either directly or by delegation? It is the duties that are to be imposed, and now I am told: That is all right; we will just write a letter to the collector down there; he will collect the taxes, and that is all there is about it. All I can say is that if a man who paid those taxes came to me, I think I could demonstrate to the court that he had paid them improperly and we could get the money back.

Mr. DUNNING: When doctors disagree of course a poor layman has great difficulty, but I remember my right hon. friend's great objection to countervailing duties, which he mentioned earlier, and I also remember that when he came into office in 1930 certain countervailing provisions were on the statute books. I know he did not like them a bit. I was quite astonished that if they were of no effect he should continue to administer them for five months, in the language here used, because the language used in 1930 was precisely the same as this. I know my right hon. friend wanted to get rid of the provisions, because he did so at the earliest opportunity at a special session of parliament. But I think the fact, that in spite of their not being popular with the government of the day, and that government desiring to get rid of them,

they were administered successfully for five months, is surely a practical proof that the wording is reasonably satisfactory in operation.

As to the principle, my views on it are well known. I think there are certain commodities on which the two-way traffic is natural and possible. At certain seasons of the year a commodity may travel north, and at certain other seasons of the year, probably because of climate, it may travel south. In such cases I believe it desirable that we should indicate to our neighbours that we are prepared at all times to bring our tariff rates on such commodities down to the minimum level specified in our tariff, provided they will reciprocate by doing the same thing on the same commodity.

Mr. STEWART: Does the minister not think that the interpretation might be improved to some extent by using the words "is hereby imposed," making it an action of parliament instead of leaving it in the realm of uncertainty and using the words "shall be," which contemplate some action at a future time by some authority competent to impose a duty? The only authority, I submit that is competent to impose a duty is this parliament, either directly, by specifying that duty in the statute in the regular way, which is the open, courageous, manly way to act, or by delegating to the governor in council that power which parliament might exercise. It seems to me that if it is to be contended that the duty is now imposed, it would be well to say "is hereby imposed," or provide, as my leader has said, the authority of the governor in council. What is the objection on the part of the government to putting the matter beyond question, making it absolutely certain, taking to itself the power which it says here exists, which it says is hereby granted? It seems to me that everything points to the desirability of clearing up any uncertainty and of making it beyond question that a duty is legally imposed.

Mr. ELLIOTT (Middlesex): May I point out to my right hon. friend and to my hon. friend who has just spoken that this parliament, by passing this provision, is imposing duties equivalent to the duties imposed by the fereign country.

Mr. BENNETT: But it says, "shall be imposed."

Mr. ELLIOTT (Middlesex): Suppose the clause suggested by my hon. friend who spoke last were adopted: "is hereby imposed" or "are hereby imposed." We would be imposing it before the other country acts.

Mr. BENNETT: But it has acted. That is the trouble.

Mr. ELLIOTT (Middlesex): If at any time in the future there is imposed upon "goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods."

Mr. CAHAN: By whom?

Mr. ELLIOTT (Middlesex): What can it possibly mean except that we would collect from their goods the same duty that they imposed upon ours?

Mr. CAHAN: That is what it means. But who is going to make the imposition?

Mr. ELLIOTT (Middlesex): This parliament is making it when it passes this item.

Mr. BENNETT: There is one thing about it. The Postmaster General inclines to the argument that this whole matter is dealing with future proposals. He says that this refers to a country imposing new duties which are in excess of ours.

Mr. ELLIOTT (Middlesex): Not necessarily.

Mr. BENNETT: Well, that is the way in which it was put a moment ago by my hon. friend.

Mr. ELLIOTT (Middlesex): If the duty is already imposed, surely this speaks from the present forward. There can be no doubt about what is meant.

Mr. BENNETT: Well, if I were drawing up the provision, I would have said, "any foreign country has imposed or imposes."

The CHAIRMAN: Carried?

Mr. BENNETT: No.

The CHAIRMAN: Is the item carried?

Some hon. MEMBERS: Carried.

Mr. BENNETT: Except that we are against it.

Item agreed to.

Customs tariff—28. Coffee, green, imported direct from the country of growth and production, or purchased in bond in the United Kingdom, per pound: British preferential tariff, free; intermediate tariff, 3 cents; general tariff, 5 cents.

Provided, that coffee, green, shall be entitled to entry under the British preferential tariff upon evidence satisfactory to the minister that such coffee has been produced wholly in the British dominions, colonies or possessions, and not otherwise.

Mr. BENNETT: This merely raises the general tariff to five cents?

Mr. DUNNING: There is no change in the wording. The only change in rates is the increase in the general tariff rate from three to five cents per pound. Empire countries now constitute by a considerable margin the chief source of supply, and by far the greater part of the remainder comes from countries enjoying either most favoured nation or intermediate tariff rates. Brazil, for instance, is under the intermediate tariff. It is deemed desirable to make a spread between the most favoured or the intermediate rate and that obtaining under the general tariff, in order that there may be some definite advantage to coffee producing countries in having the benefits of the Canadian intermediate tariff.

Mr. BENNETT: What countries would be affected by the general tariff on coffee? Brazil has the intermediate tariff.

Mr. DUNNING: I prefer not to enter into a public discussion, but some countries which now enjoy the intermediate tariff are, shall I say, internally disturbed and are speaking of changing their trade arrangements with other countries, not specifically Canada but including Canada.

Mr. BENNETT: Do they produce coffee?

Mr. DUNNING: Yes, and I believe that a difference between most favoured nation and intermediate tariff rates on coffee in those instances may help to maintain existing trade relations and, in fact, render possible better ones. I do not specify the situation any more closely than that, because I am not desirous of embarrassing exchanges which are now taking place.

Mr. BENNETT: I think a spread is always desirable.

Mr. DUNNING: There are exceptions, but in the main it is a useful thing to have.

Mr. CAHAN: Is the proviso attached to this item contained in the tariff as it now exists?

Mr. DUNNING: Yes, exactly.

Mr. DEACHMAN: There is one question I should like to ask in regard to this item. The rate is now five cents on coffee coming in under the general tariff.

Mr. DUNNING: No; it is three cents now.

[Mr. Bennett.]

Mr. DEACHMAN: The new tariff is five cents. Does that not tend to establish in Canada a price for coffee representing the foreign price plus the five cent duty? Therefore there will be a tendency on the part of countries trading with us under the intermediate or British preferential tariff to raise the price of their coffee to approximately the point reached under the general tariff. A tariff, I submit, arranged as this tariff is, tends to raise the price of coffee to the Canadian consumer and at the same time tends to give a definite and specific benefit to the countries exporting to us under the British preferential and intermediate rates. So then the Canadian consumer pays for coffee, a part of the price goes to the revenue of the country but a large part of it goes to help producers of coffee in countries trading with us under the British preferential or intermediate tariffs.

Mr. BENNETT: Having regard to the competition between Brazil and British preference countries?

Mr. DEACHMAN: I think so.

Mr. DUNNING: The best answer I can make to the fears expressed by my hon. friend from Huron North is to give the figures of our imports in order to show the very small quantity that will be affected by the increase. Last year our total imports amounted to 35,600,000 pounds. From British Africa we imported 10,170,000 pounds, under the British preference. From Jamaica we obtained 7,047,000 pounds, under the British preference. Brazil exported to us 6,935,000 pounds, and I mentioned that as coming under the intermediate tariff at the present time. Colombia exported 6,600,000 pounds, under the intermediate, most favoured nation tariff. From the United Kingdom we obtained 1,720,000 pounds, under the British preference.

Mr. BENNETT: That is in transit.

Mr. DUNNING: Yes. From Trinidad we obtained 811,000 pounds, under the British preference, and from Mexico, 775,000 pounds under the general tariff. That is the first instance of coffee coming under the general tariff.

Mr. DEACHMAN: Then why raise the general tariff by two cents if it is inconsequential?

Mr. DUNNING: I explained a moment ago that coffee is a very important item in regard to some countries being willing to enter into a trade agreement with Canada involving most favoured nation and intermediate tariff treatment. To continue: From Costa Rica we obtained 452,000 pounds, under

approximately the intermediate tariff; from Hawaii we received 377,000 pounds, and from Venezuela, 291,000 pounds, under a modus vivendi equivalent to most favoured nation treatment. So it will be seen that of our 35,000,000 pounds more than 34,000,000 pounds entered from those countries receiving either British preferential or intermediate tariff treatment. I think it is generally desirable to have some advantage in our tariff to offer countries with which we desire to make trade agreements. That is particularly the case in connection with tropical countries producing commodities such as coffee, and I am sure it will be of considerable advantage in negotiating with those countries.

Item agreed to.

Customs tariff—28a. Tea, imported direct from the country of growth and production, or purchased in bond in the united kingdom or in any British possession .... per pound; when in packages weighing five pounds, each, or less, the weight of such packages to be included in the weight for duty: British preferential tariff, 4 cents; intermediate tariff, 8 cents; general tariff, 8 cents.

Provided, that tea shall be entitled to entry under the British preferential tariff upon evidence satisfactory to the minister that such tea has been produced wholly in the British dominions, colonies or possessions, and not otherwise.

Mr. BENNETT: What are the changes in this item?

Mr. DUNNING: There is just a slight change in the wording, consisting of the insertion of the phrase "or in any British possession" after the words "united kingdom." This has been done to permit certain empire teas, produced in various British possessions in the Malay peninsula, to enjoy the benefits of the British preferential tariff which heretofore they have been unable to do because such teas have come to Canada by way, for example, of the island of Ceylon. Some of these teas, although entirely British in origin, are transshipped in the island of Ceylon, where they are assembled and prepared for shipment to the ultimate destination. A great deal of this assembling and preparation for shipment is done at Colombo, Ceylon, and under the item as it stood heretofore teas so prepared and reshipped could not qualify for the British preferential tariff because they were neither shipped direct from the country of growth or production nor purchased in bond in the United Kingdom, which were the only two exceptions. It is now proposed to regularize the tariff by including these words.

Item agreed to.

Customs tariff—28b. Tea dust, sweepings or waste, when imported by manufacturers of caffein, crude or refined, for use exclusively in the manufacture of caffein, crude or refined, in their own factories: British preferential tariff, free.

Provided, that tea dust, sweepings or waste shall be entitled to entry under this item upon evidence satisfactory to the minister that such tea dust, sweepings or waste has been produced wholly in the British dominions, colonies or possessions, and not otherwise.

Mr. BENNETT: The minister will observe that in the intermediate and general tariffs he has nothing at all. It is free under the British preferential tariff; is it free under the others also?

Mr. DUNNING: No; it will not be admitted under the other tariffs. The proviso covers that.

Mr. BENNETT: The other day the minister complained bitterly that when a certain government was in office it made no provision for intermediate and general tariffs with respect to cut flowers. This is exactly the same type of item.

Mr. DUNNING: But my hon. friend had the word "free' in the cut flowers item. This is an item which we intend shall come in only from British countries. It is an entirely new item, to provide free entry under the British preferential of tea dust or waste imported for use in the manufacture of caffein. Tea dust or waste is one of the great natural sources of the world's production of crude caffein. The latter already enters Canada free of duty for refining and further manufacturing, and under the new item it is proposed that the raw material shall be allowed similar free entry in order that crude caffein may be produced in Canada from tea dust so imported. I was going to call attention to the matter my right hon. friend has just mentioned, that the benefits under the item are restricted to the British preferential tariff, and therefore will apply only to tea dust sweepings or waste produced wholly in British countries.

Mr. BENNETT: If it comes from any other country, what is the duty?

Mr. DUNNING: Tariff item 28 will cover it, tea, n.o.p.

Mr. BENNETT: That would be a lower rate than the existing one, eight cents.

Mr. DUNNING: It is the heaviest tea rate.

Mr. BENNETT: No.

Mr. DUNNING: It will be ten cents a pound.

Mr. BENNETT: The n.o.p. item is not here.

Mr. DUNNING: No; it is in the tariff generally.

Item agreed to.

Customs tariff—35. Hops, per pound: British preferential tariff, 6 cents; intermediate tariff, 10 cents; general tariff, 16 cents.

Mr. BARBER: This is an item I am particularly interested in.

Mr. DUNNING: If my hon. friend will permit me, I have overlooked an amendment which comes at this point, in connection with tariff item 29:

Customs tariff—29. Coffee, green, n.o.p.: British preferential tariff, 2¼ cents per pound, plus 7½ per cent; intermediate tariff, 3 cents per pound, plus 10 per cent; general tariff, 5 cents per pound, plus 10 per cent.

This proposes the identical increase in the general tariff rate on coffee, green, shipped indirect, to accord with the increase under the budget on such coffee shipped direct. The spread between the two items has been only ten per cent additional on the former. Evasion on the new rate might be possible unless the duty is increased on the former. It is really an inconsequential increase. My colleague will move that.

Mr. ILSLEY: I move that.

Mr. BENNETT: The fact is when we were dealing with similar matters on another occasion the ground was taken that these should appear in votes and proceedings before they are here dealt with at all. It is a little difficult to follow them, and I think it is not desirable to have them dealt with now, because when the bill comes in we shall have an opportunity to do so. I am not raising the issue now. This is an item which increases duties, and while it is inconsequential it nevertheless increases the duties of the general tariff with respect to green coffee.

Mr. DUNNING: Yes, I admit it. I followed formerly the practice indicated by my right hon. friend, which I agree at once is desirable. But as a matter of fact there are so very few changes on this occasion that I do not think it will be embarrassing to the committee.

Mr. BENNETT: I am not suggesting it was.

Mr. DUNNING: There are not many changes from the list as provided in the tariff.

Amendment agreed to.

[Mr. Dunning.]

Customs tariff—35. Hops, per pound: British preferential tariff, 6 cents; intermediate tariff, 10 cents; general tariff, 16 cents.

Mr. BARBER: As I have stated, this is an item in which the district I represent is particularly interested. It is an industry which has existed in that district for over forty years, developed from a small acreage of about forty acres to some thirteen hundred acres at the present time. We boast to-day of having on the reclaimed area of the Sumas district the largest single hop garden in the world, six hundred acres. This industry has had difficulties. The product, as hon. members are perhaps aware, is consumed by the brewing industry. Although we have not produced one hundred per cent of what is consumed we have produced up to forty per cent, varying from year to year. We are in a position to produce sixty to eighty per cent.

If the minister had investigated this industry before reducing the tariff he would perhaps have had some information in regard to it. The consumers argue that certain importations are required in order to give the particular blend to the product. But we have gone to considerable trouble to ascertain the quality of our product, and some years ago a number of samples of British Columbia hops were submitted to the Brewers' Academy of New York, with the object of finding out if it was necessary to import foreign hops in order to give a particular blend to the product of the brewery. I have a copy of the report forwarded by that academy in New York clearly stating that the product from British Columbia was of the very highest grade and could be used one hundred per cent in the production of ale, stout and porter, and in the manufacture of lager beer to the extent of sixty-five per cent. We have been very anxious to have this product sold on the Canadian market. In the early days one grower in my district sold his product on the British market, but that cannot be done now because, owing to the British marketing act, they are permitted to import only fifteen per cent of the consumption, and so we are practically shut out of that market. We have been shut out of the American market for some time by a tariff of twenty-four cents a pound. The Canadian tariff, prior to 1930, was seven cents a pound. Hops were being imported from the United States, Czechoslovakia and other European countries at a very low price and affected the industry in our district very considerably. I want to say plainly to the minister that he could find out upon investigation that if it had not been

for the protection of sixteen cents a pound the five large producers in our district during the last two years would have been out of business, for the simple reason that the industry to the south of the line has been in a distressed condition. Producers who have been able to sell at all—a large number are still holding their crop—have been selling hops at as low as seven and a half to nine cents a pound. What that really means is this: It costs the grower in British Columbia one and three-quarter cents a pound to pick the green hops, and it takes four pounds of green hops to make one pound of dry, so that it will be seen that the price at which the product was sold south of the line did not amount to more than the mere cost of picking. I know of one case in Washington that was drawn to my attention recently. This grower was operating forty acres and he paid out fourteen and a half cents cash for every pound of hops produced last year. This did not include his family's labour, rental, depreciation, interest, storage and other charges, and that crop of course would have been sold at half that price.

Mr. DUNNING: That is not in Canada?

Mr. BARBER: That is in the state of Washington. In Canada the cost of production is a great deal higher. I think that if this matter were investigated by the tariff board, as it should be, the minister would find that cost of production will vary up to twenty-four cents a pound. With a protection of only ten cents a pound and 7½ cents a pound, under distressed conditions such as have obtained in the last two years one can imagine what would happen to the industry in Canada. I know representations have been made to the minister from perhaps one grower, because in the last three or four years the matter has come to my attention when I have brought it to the notice of parliament and the government. This particular grower insists that the tariff should be completely removed. Upon investigation the minister would find that this person is more of a dealer than a grower. He has sold every pound of foreign hops that have been sold in Canada in the last four or five years.

Mr. DUNNING: I have no such representations as have been mentioned by the hon. member.

Mr. BARBER: Those representations were made prior to 1930.

Mr. DUNNING: I have no such representations.

Mr. BENNETT: This matter did not go to the tariff board.

Mr. BARBER: I suggest that it was only a question of the minister running through the schedule and picking out something to add to the list of which the government is boasting. They talk about placing commodities on the free list, and so on. I suggest that the minister just ran through the list and picked out hops.

Mr. DUNNING: I am sorry the hon. member thinks that.

Mr. BARBER: A few nights ago the minister said something about reducing the burden of the tariff. In this instance what does the burden amount to? One pound of hops is used in one barrel of beer. He is reducing the burden of the tariff on the brewers, the most highly protected people in Canada. There is not much burden there, even if the rate were ten cents. If it were ten cents more it would not be too much. A reduction to ten cents a pound is not reducing the burden to a very great extent on a barrel of beer. Prior to the budget being brought down I indicated to the minister that before any action was taken with regard to hops the matter should be investigated by the tariff board. The hop growers are prepared to come before the board, and I suggest that would be the proper procedure. I will go so far as to say that if he will make some arrangements whereby the brewers would take the Canadian product, he can remove the tariff completely.

Probably he will recall that prior to 1930 this matter was brought to the attention of the government and placed before the then Minister of Agriculture (Mr. Motherwell) and other members of the government. I believe at that time some effort was made, but no agreement resulted. The only remedy was to take action through the tariff. If the minister could enter into an agreement whereby the production of Canadian hop growers would be used by brewers, the growers would not be greatly interested in the tariff.

Mr. BENNETT: At whose instance was this reduction made in the tariff.

Mr. DUNNING: At the instance of the brewers who use the hops, and who presented all sorts of evidence, in many cases from growers. It is not from a single grower.

Mr. BARBER: One grower.

Mr. DUNNING: No, not from a single grower. In connection with this item I had the curious experience of having representations against it which were afterwards specifically withdrawn by representatives of

the growers. But so far as the consumption of hops is concerned I was convinced that in spite of the higher duty there does not appear to have been any considerable diminution in the necessity for importing hops from certain other countries. I am advised that these imports are due to a particular flavour or some other quality which they bring about by mixing. I can assure the hon. member he was quite wrong when he suggested that I just went through the tariff and grabbed items here and there for the purpose of reduction. I do not think he really believes that; it was just a passing remark.

I listened to representations from both sides. The tariff was very much higher than when I left office previously. The people asking for the reduction represented the brewers of Canada, and of course they stated that they were manufacturing one of the most highly taxed commodities, a commodity which was taxed both federally and provincially. One can imagine the arguments they would use. I said we were mainly concerned about the hop growers, and they assured me positively that they had kept up the price and would continue to keep it up. They brought me proof of their activities in connection with malting barley, and certainly if there is any evidence which indicates that the Canadian hop consumers do not give a fair deal to Canadian hop producers, then the hon. member may call my attention to that fact and I can assure him my viewpoint would be changed, on production of such evidence. I am of opinion, however, that a duty of ten cents per pound under the intermediate tariff and sixteen cents under the general tariff may be considered a substantial duty, having regard to the fact that a considerable quantity of hops must be imported for purposes of correct flavouring.

Mr. BENNETT: There is no question about it.

Mr. DUNNING: Hops have been imported even under higher tariffs for that reason. Our imports amount to a million and a half pounds, even under high tariff regulations.

Mr. BENNETT: And that means a million and a half barrels of beer.

Mr. DUNNING: Is it a pound to a barrel?

Mr. BENNETT: Substantially so.

Mr. DUNNING: It is almost as much as the total Canadian production, which amounted to 1,765,000 pounds.

[Mr. Dunning.]

Mr. STIRLING: How much comes from Australia and New Zealand?

Mr. DUNNING: Practically none, in spite of the tremendous advantage they are receiving under the treaty. Importations have been very slight, despite the advantageous rates. Australian hops have not been seen in the Canadian market since 1930, with the solitary exception of a small importation of 20,000 pounds in 1933. From the information I have at my disposal I do not share the apprehensions of the hon. member for Fraser Valley, but I can assure him of sympathetic consideration of any evidence he may be able to produce at any time which would indicate that Canadian hop consumers have not treated Canadian hop producers fairly. The growing of hops is being developed in another part of Canada, not far distant from Ottawa, and I am advised that the industry is given considerable encouragement. Those growers, after first protesting against the change, came to me and said that they were quite convinced it would not be harmful to them.

Mr. BARBER: I think the minister is very fair, but there is another angle to the matter I should like to discuss.

Mr. DUNNING: Well, it is eleven o'clock and I do not suppose we can pass the item to-night.

Mr. BENNETT: No. In view of the discussions which have taken place, I think the matter should have gone before the tariff board.

Progress reported.

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

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## Tuesday, May 19, 1936

The house met at three o'clock.

### CANADIAN AND BRITISH INSURANCE COMPANIES ACT, 1932

Hon. CHARLES A. DUNNING (Minister of Finance) moved the first reading of Bill No. 61 (from the Senate) to amend the Canadian and British Insurance Companies Act, 1932.

Motion agreed to and bill read the first time.

### PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 62 for the relief of Pedro Alfonso Baptista.—Mr. Jacobs.

Bill No. 63 for the relief of Louise Isabel Sutherland Chaplin.—Mr. Walsh.

Bill No. 64 for the relief of Clara Violetta Dodge Connolly.—Mr. Heaps.

Bill No. 65 for the relief of Marie Consuela Hill Montabone.—Mr. Bothwell.

Bill No. 66 for the relief of Lona Marie Vaughan Burnett Gravina.—Mr. White.

## WAYS AND MEANS

### CUSTOMS TARIFF AMENDMENT

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

Customs tariff—35. Hops, per pound: British preferential tariff, 6 cents; intermediate tariff, 10 cents; general tariff, 16 cents.

Mr. BARBER: When the committee rose last night I was discussing this item. I am interested in it from the standpoint of employment because it means a considerable amount of employment to those working in the industry in the district I have the honour to represent, and it is also of importance to neighbouring cities. In the harvesting season we employ in the industry about 3,000 people and hundreds are employed the year round. There is no branch of agriculture in which as much employment is afforded per acre as hop growing. I appreciate the remarks the minister made last evening with regard to encouraging this industry, and I hope he will do his best to see that Canadian hops are purchased by the consumers of this country.

There is just one other point I should like to raise. I notice that a little further on a grant is made by way of reduction of tariff to the brewers of the Irish Free State. It occurs to me that some years ago an agreement was entered into between Ireland and, I think, New Zealand, whereby there was a removal or reduction of the tariff on products of the brewing industry entering New Zealand, and on the other hand New Zealand hops were admitted into Ireland on more favourable terms. When the time comes to consider the empire agreements, perhaps Canada may be enabled to sell to the brewers of Ireland a certain quantity of our hops. I hope the minister will bear this in mind.

Item agreed to.

Customs tariff—79b. Flowers and foilage, natural cut, whether in designs or bouquets or not, n.o.p.: British preferential tariff, free; intermediate tariff, free; general tariff, 40 per cent.

Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country.

Mr. BENNETT: We on this side of the house have already said, in connection with another item, what we feel as to the sufficiency of the countervailing provisions. I observe also that the present tariff is free in respect of both British preference and intermediate. The Minister of Finance made some observations as to there being no provision for intermediate and British preference, and this schedule shows that these articles are free under both categories.

Mr. STEWART: What is the effect of the Canada-United States trade agreement on the tariff with respect to cut flowers? Would that put the item on the free list?

Mr. DUNNING: Under the intermediate tariff, yes.

Mr. STEWART: Which was free?

Mr. DUNNING: Which was free.

Mr. STEWART: And prior to that the duty was at what rate?

Mr. DUNNING: Forty per cent. It shows in the schedule.

Mr. STEWART: It is being restored to what it was before the Canada-United States trade agreement?

Mr. DUNNING: So long as the United States tariff remains at forty per cent, yes.

Item agreed to.

Customs tariff—83. Potatoes, as hereunder defined:—(a) In their natural state, per one hundred pounds: British preferential tariff, free; intermediate tariff, free; general tariff, 75 cents.

Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country.

Mr. STEWART: Would the minister inform the committee what was the rate of duty on potatoes that came into Canada before the Canada-United States trade agreement

Mr. DUNNING: Under the general tariff, seventy-five cents.

Mr. STEWART: Does this restore it?

Mr. DUNNING: It has that effect, so long as the United States duty remains at seventy-five cents.

Mr. STEWART: I do not suppose there is much use in further discussing this method adopted with respect to countervailing duty. Here is a case where, before the Canada-United States trade agreement, there was a rate of duty of seventy-five cents per hundred pounds

on potatoes. Under the provisions of the agreement they were put on the free list. Now it is desired to restore the protection to the rate of duty that existed prior to the agreement. I have no objection, as a matter of policy, to that; I think it is in the interests of the agricultural producers of this country that there should be some protection. But again I say, why not go at it in the straightforward way of imposing a duty, instead of taking this roundabout means? I wonder if the reason is that this government has been preaching reduction of tariff so long that it desires to conceal any case in which there is an increase in the tariff or an imposition of duty. We heard the minister talking about the consumer. Well, surely here the consumer is interested; a pretty substantial duty is imposed upon a very ordinary and common article of food, but this indirect, roundabout way is adopted, the method of countervailing duty. I can only repeat that I think it is not the straightforward way of doing it. We ought to be able to face a situation of this kind. When in the interests of Canadian producers a duty is desirable it ought to be imposed. Tariffs should be made here, by the Canadian people, in their own interest; they should not be controlled or regulated by the tariff or other action of any foreign country.

Item agreed to.

Customs tariff—99c. Raisins and dried currants, per pound: British preferential tariff, free; intermediate tariff, 4 cents; general tariff, 4 cents.

When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.

Mr. STIRLING: What is the reason for this alteration?

Mr. DUNNING: It restores the position as regards Australian raisins to what it was before the expiration of the period. There was a lapse of, I think, one month during which the preference to Australia was reduced. This restores it.

Mr. BENNETT: The former government undertook to do this.

Mr. DUNNING: Yes. Parliament did not meet in time to act.

Mr. BENNETT: That is right.

Item agreed to.

Customs tariff—113. Cocoanut desiccated, sweetened or not, per pound: British preferential tariff, 3 cents; intermediate tariff, 6 cents; general tariff, 6 cents.

Mr. DUNNING: As regards this item, I am asking my colleague the Minister of Justice (Mr. Lapointe) to move an amendment striking out tariff item 113 wherever the said item, enumeration or rates of duty occur in such resolution. I ask this because I am a little concerned lest the reduction proposed on budget day in favour of desiccated cocoanut imported under the British preferential tariff worked to the disadvantage of the trade in cocoanuts under the same tariff between the West Indies and Canada. Representations have been made on behalf of certain of the West Indian colonies to the effect that this might be the result, and rather than dislocate the existing trade in whole nuts, I prefer to delete the item from the tariff proposals.

Mr. BENNETT: Item 113 is out altogether?

Mr. DUNNING: Yes, this item is out. The tariff remains as it is. This item will come out altogether, and the tariff will remain as it is in this respect.

Mr. LAPOINTE (Quebec East): I move that resolution No. 5 be amended by striking out tariff item 113 wherever said item, enumeration or rates of duties occur in the said resolution.

Mr. BENNETT: Does that involve any collection of duties, or matters of that kind?

Mr. DUNNING: No, I am advised that there is no difficulty in that connection. If any duties have been collected of course they will be refunded.

Mr. BENNETT: No, it will mean the collection of a larger sum. Under the British preference the rate now is 5 cents, and it was proposed to reduce it to 3 cents.

Mr. DUNNING: It will be just the opposite to what I said.

Mr. BENNETT: I assume that under such circumstances the crown would be powerless to secure the larger amount. While the resolution came into force on the first of May it is quite obvious that the amendment just moved cannot become effective until the bill is assented to, so that any importations at the lower rate will continue until such time as the statute is passed and assented to. As the minister knows, that is one of the penalties we pay for changing tariff items.

Mr. DUNNING: All that my right hon. friend has said is perfectly correct, but in this case I gather that the desiccated article comes from as far distant as Ceylon, fortunately, which rather helps to overcome the difficulty.

Amendment agreed to.

Customs tariff—142. Tobacco, unmanufactured, for excise purposes under conditions of the Excise Act, subject to such regulations as may be prescribed by the minister:—

(a) Of the type commonly known as Turkish:—

(i) Unstemmed, per pound: British preferential tariff, 20 cents; intermediate tariff, 40 cents; general tariff, 40 cents.

(ii) Stemmed, per pound: British preferential tariff, 30 cents; intermediate tariff, 60 cents; general tariff, 60 cents.

(b) N.o.p.:—

(i) Unstemmed, per pound: British preferential tariff, 40 cents; intermediate tariff, 40 cents; general tariff, 40 cents.

(ii) Stemmed, per pound: British preferential tariff, 60 cents; intermediate tariff, 60 cents; general tariff, 60 cents.

Provided that the duty under this item shall be levied on the basis of "standard leaf tobacco" consisting of ten per centum of water and ninety per centum of solid matter.

Mr. BENNETT: This is only a reduction in the British preference?

Mr. DUNNING: There is a considerable amendment both in wording and in rates. Perhaps I had better read my notes, in order that the committee may be fulled seized of the matter and so that there may be no misapprehension as to the effect.

Up to the present time unmanufactured tobacco enumerated under tariff item 142 has been free of duty upon all tariff. That is to say, it has been imported nominally free of customs duties, but immediately under the Excise Act became subject to excise duties of 40 cents per pound on unstemmed leaf and 60 cents per pound on stemmed leaf. To carry out an undertaking given to Southern Rhodesia under the conference agreements of 1932 it is now proposed first to establish a preference on both stemmed and unstemmed tobacco of the type commonly known as Turkish or Oriental, and second to transfer the duties from the excise to the customs realm. It will be remembered that when we were dealing with the excise amendments these excise taxes were cancelled. The proposal to transfer this item to the customs realm is of course inevitable if the undertaking to Rhodesia is to be carried out, since it would seem to be undesirable if not indeed impossible to provide preferential treatment in the excise field of taxation as distinct from the customs field.

It is proposed therefore, in brief, to divide the item in such a manner as to separate the so called Turkish type of tobacco from all other types and, in respect of the Turkish type, to reduce the British preferential rates of duty from 40 cents to 20 cents per pound on the unstemmed and from 60 cents to 30 cents on the stemmed. The requirements of the Canadian tobacco industry and therefore of the Canadian tobacco consuming public demand the use of a certain amount of the Turkish type of tobacco. It is estimated that the Canadian use of tobaccos of the Turkish type amounts to about 300,000 pounds per annum, all of which up to the present has been supplied from non-empire countries, chiefly Macedonia, Greece and Abyssinia. I do not suppose we are getting much from there just now, but this has been one of the few articles we have imported from that country. In recent years Southern Rhodesia has established quite a reputation for Turkish type tobacco, and the Union of South Africa is known to be producing tobacco of this type which has gained commercial favour. The Rhodesian product is finding acceptance in the British market, and in establishing the preference now proposed the government feels that it may be giving Southern Rhodesia a greater opportunity to cater to Canadian requirements in this particular product. There is no reason to feel that the preference now being granted under the British preference to Turkish type tobacco will react in any way whatsoever on the Canadian production of those types which Canada has demonstrated her ability to produce and sell. It is, however, confidently expected that empire sources of supply will fill the demand of this market and that by accepting tobacco from Southern Rhodesia Canada may make it possible for that country to provide a wider market than at present for certain Canadian commodities. I am assured that the change here proposed has no bearing whatsoever on the Canadian production of tobacco, which is of an entirely different type from that now being given a preference.

Mr. DONNELLY: The excise tax has been removed completely?

Mr. DUNNING: Yes.

Mr. BENNETT: My memory is that this is in accordance with the arrangement that was discussed with Southern Rhodesia—

Mr. DUNNING: Yes.

Mr. BENNETT: —but we declined to give effect to it until we were satisfied that by so doing we would not interfere with the production of Canadian tobacco. Once that was settled definitely we were prepared to give them a preference. I think that was the arrangement, if my memory serves me aright, and this is to give effect to it, as I understand it.

Mr. DUNNING: Yes.

Mr. BENNETT: They had our promise that as soon as we satisfied ourselves that Canadian interests would not be adversely affected we would bring about that change. The only difficulty was just how it was to be done. The cancellation of the excise tax and the transference of it to the customs tariff was the suggestion of one of the officers of the department, who doubtless is responsible for its being done in this way.

Mr. DONNELLY: What is the excise tax on ordinary tobacco?

Mr. DUNNING: It is 40 cents a pound.

Item agreed to.

Customs tariff—147.
(a) Ale and beer, when imported in bottles, per gallon: British preferential tariff, 30 cents; intermediate tariff, 50 cents; general tariff, 50 cents.
(b) Porter and stout, when imported in bottles, per gallon: British preferential tariff, 15 cents; intermediate tariff, 50 cents; general tariff, 50 cents.
Provided, that six quart bottles or twelve pint bottles shall be held to contain one gallon.

Mr. DUNNING: The only difference is in connection with the stout item, with which I dealt in the budget. The Irish Free State requested some consideration with respect to this product of Ireland, and in view of the balance of trade that exists between the two countries we were pleased to find a few commodities, even though only a few, on which we could give a preference to the Irish Free State.

Mr. CLARKE (Rosedale): Will that saving be passed on to the consumer, in the opinion of the minister? In some cases, in connection with some of these other items, the saving is retained by the dealer.

Mr. DUNNING: That is rather a difficult question for me to answer, in view of the fact that the sale of this commodity, as in the case of all other liquors, is under the control of the various provincial governments, and of course it would depend upon their action as to whether Guinness stout will become any cheaper to the consumer. That is what my hon. friend has in mind, I know, and I am informed that it is a very good article, especially for invalids like the hon. gentleman.

Mr. McIVOR: Mr. Chairman, I am opposed to this reduction, for very reasonable reasons. I think the tax on anything that tends to put on fat and does not develop muscle and brain should be as high as possible. Also, coming as I do from the Green Isle, I know that porter and stout do not tend to develop manhood and character. Not even an Irishman can carry much of it and be his normal self. Anything that tends to make a man or a woman less a man or less a woman should be taxed to the very highest point. I do not like to be "agin the government," but in this case I am convinced that the tax should not be reduced. If any of the hon. members wish to go out to-night and see our baseball game—



The CHAIRMAN: Order.

Mr. McIVOR: I was just going to use the illustration of athletes who get along without the use of stout. That is all I have to say, Mr. Chairman, because I do not believe in talking when I have finished.

Item agreed to.

Customs tariff—163a. Prune wine, not sparkling, when containing not more than thirty-eight per centum of proof spirit, per gallon: British preferential tariff, 25 cents.
Provided, that six quart bottles or twelve pint bottles be held to contain a gallon for duty purposes under this item.

Mr. STIRLING: Does this mean that it is a prohibited article under the intermediate and general tariff?

Mr. DUNNING: From any other country it will come under item 163. But we are advised that southern Ireland is practically the only producer of this article.

Mr. STEVENS: Do they grow prunes in Ireland?

Mr. DUNNING: My hon. friend is rather taxing the extent of my knowledge, but I gather it is not necessary to grow the prunes in a particular place to be able to make the wine there by some process which is peculiarly Irish.

Mr. STEWART: What will the rate be under the intermediate and general?

Mr. DUNNING: Fifty-five cents.

Mr. STEWART: No change.

Item agreed to.

Customs tariff—168. Malt flour containing less than fifty per centum in weight of malt; malt syrup or malt syrup powder; extracts of malt, fluid or not; grain molasses—all articles in this item upon valuation without British or foreign excise duties, under regulations prescribed by the minister: British preferential tariff, 25 per cent; intermediate tariff, 5 cents per pound and 30 per cent; general tariff, 10 cents per pound and 35 per cent.

Mr. GLADSTONE: I was hoping this item might not be reached until to-morrow. I wish to present the viewpoint of Standard Brands Limited of Guelph, manufacturers of

beverage malt and bakers' malt, by quoting from a letter I have received from them, as follows:

Under the new British preference rates malt extract for home brew use can be imported and pay a lower rate of duty and excise than the excise duty paid on domestic malt extract of the same type.

We pay a duty of six cents a pound on malt plus ten cents a pound on the syrup produced. In the manufacture of malt extract one and a quarter pounds of malt are required to produce one pound of syrup. Domestic manufacturer therefore pays on each pound of syrup: one and a quarter pounds at six cents equals seven and a half cents, and ten cents, making a total of seventeen and a half cents.

The importer pays twenty-five per cent on an average valuation of 7·77 cents—

Which figures are taken from Trade of Canada, 1935, page 198.

That amounts to 1·94 cents per pound plus excise tax, 16 cents, total 17·94 cents per pound.

But we pay in addition to the Department of Excise a supervision fee of $300 per month. Our production of duty paid malt extract during 1936 to date averaged 34,375 pounds per month. Supervision fee equals extra excise imposition of 0·901 cents a pound. Our payment therefore on a pound of syrup totals 18·4 cents as against the importer, British preferential, who pays only 17·94 cents, and is actually subsidized to the extent of almost half a cent a pound.

Imports from the United Kingdom under the old tariff rate have been not inconsiderable, as the annual reports of Trade of Canada show:

| Year ended Dec. 31 | Value |
|---|---|
| 1928 | $26,638 |
| 1929 | 52,339 |
| 1930 | 60,707 |
| 1931 | 34,395 |
| 1932 | 44,757 |
| 1933 | 35,927 |
| 1934 | 30,596 |
| 1935 | 23,023 |

We fear that since this trade prospered so under the old tariff rate it will be given a great stimulus under the new rate and that Canadian manufactures will be excluded from home-brew malt market in Canada. This will result in lowered volume and hence increased costs in our bakers' malt field, with increasing advantage to the United Kingdom manufacturers as compared to ourselves, so that eventually there will be no malt extract manufactured in Canada.

The imports shown above include both duty paid home-brew or beverage purpose malt and bakers' malt. We are left with twenty-five per cent protection on bakers' malt, and this is too little for the industry in consideration of the cheapness of coal and labour in the British isles as compared with our costs. But we have no protection, in truth we are paying more tax on domestic goods than on imported goods, in the beverage malt field. Our trade is divided about one-fifth beverage malt syrup and four-fifths all other malt syrup. Elimination from the beverage malt field would increase our costs on the other syrups quite considerably.

Mr. DUNNING: I have of course received a copy of the letter from which my hon. friend has just read, and I gave to the representation therein contained such consideration as could be given. The facts and figures upon which we base the proposal now before the committee I must say justify my taking the view that the Canadian manufacturer, as represented by the writer of this letter—there are in Canada only two which are known—will still be able to function even if this request of the British government be granted. There will still be a twenty per cent ad valorem duty against Great Britain under the amendment to the tariff now before the committee, that is if the excise is equated. The effective duty last year under the British preference was forty-seven per cent on these various malt derivatives.

Mr. BENNETT: Under the British preference, three cents a pound and twenty per cent?

Mr. DUNNING: Yes, by adding the specific duty evaluated in terms of ad valorem it amounted to forty-seven per cent on the value from Great Britain. The specific itself made 27 per cent on the value.

Mr. BENNETT: Three cents per pound.

Mr. DUNNING: Yes, and weighing all the factors we are of the opinion that this is a request which might well be granted. It does not come from any industrial or commercial concern, but is one of the requests of the British government which, I believe, has been under consideration by the Canadian government during the past three years. Our best judgment is that the ill effects feared by the Canadian industry, as indicated in the letter from Standard Brands, which was read, will not occur. Of course these things are a matter of opinion. Imports from Great Britain under the tariff as it existed last year were valued at $24,000; from the United States $17,000 worth was imported. The total Canadian production amounted to $622,000, which, I am advised, was divided between two firms.

Item agreed to.

Customs tariff—173. Books for the instruction of the deaf or dumb: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. BENNETT: There is no change in the item. Why do we have a separate item? It has always been free.

Mr. DUNNING: We have taken out the portion of the item referring to the blind, and are making it a new item.

Item agreed to.

Customs tariff—178. Advertising and printed matter, viz.:—Advertising pamphlets, advertising show cards, illustrated advertising periodicals; price books, catalogues and price lists; advertising almanacs and calendars; patent medicine or other advertising circulars, fly sheets or pamphlets; advertising chromos, chromotypes, oleographs or like work produced by any process other than hand painting or drawing, and having any advertisement or advertising matter printed, lithographed or stamped thereon, or attached thereto, including advertising bills, folders and posters, or other similar artistic work, lithographed, printed or stamped on paper or cardboard for business or advertisement purposes, n.o.p., per pound: British preferential tariff, 5 cents; intermediate tariff, 12½ cents; general tariff, 15 cents.

Provided, that on importations under the intermediate or the general tariff, the rate of duty shall be not less than: intermediate tariff, 27½ per cent; general tariff, 35 per cent.

Mr. MacNICOL: Would the 27½ per cent intermediate rate be on the pound price of the advertising matter, or the cost of the art or other work which enters into the production of the material mentioned in the item?

Mr. DUNNING: I am reading the small print in the item in an effort to answer the hon. member's question. In the item I find these words:

... produced by any process other than hand painting or drawing, and having any advertisement or advertising matter printed, lithographed or stamped thereon, or attached thereto.

There is no change in the wording in that regard. The change is in the rates, with a provision of a minimum ad valorem duty of 27½ per cent under the intermediate tariff. Prior to September, 1930, the rates were 10 cents, 15 cents and 15 cents per pound. Under the budget of September, 1930, there was added to the item a proviso that the minimum duty under the general tariff should not be less than 35 per cent ad valorem. Following the imperial conference of 1932 the British preferential rate was reduced to 5 cents per pound. The result of the extension of the intermediate rate to the United States on January 1 of this year was that imports of printed matter, n.o.p., from that country dutiable under this item paid a specific duty of 12½ cents per pound, but were not subject alternatively to any minimum ad valorem imposed.

An analysis of the imports from the United States under the item shows that, in the fiscal year 1935, had these imports been dutiable at the rate of fifteen cents per pound without any ad valorem, they would have paid $315,700 in duty. Actually however they paid duties of $373,800, on a declared value of $826,000. Thus the ad valorem incidence of the double rate on imports from the United States under the general tariff in 1935 was something over forty-five per cent. If we assumed that the same volume and value of imports enter at the existing intermediate specific duty of 12½ cents per pound, they would pay a duty to total $263,000, or 31·8 per cent ad valorem. In other words the ad valorem equivalent of the intermediate duty of 12½ cents per pound would be, on the volume and value of last year's imports from the United States, somewhat less than thirty-two per cent. However, the fact must be remembered that a specific duty on a poundage basis has a varying and unequal effect when spread over a wide field of printed matter, such as is covered by this item. It might represent a relatively high rate ad valorem on certain printed matter, and a ridiculously low rate on other matter. Having regard to the unequal incidence of a specific duty on the very great volume of goods covered by this item, and also the wide disparity existing between the intermediate and general tariffs, we desire to impose under the intermediate tariff a safeguarding minimum ad valorem of 27½ per cent, which I feel is not disproportionate to the minimum ad valorem of thirty-five per cent formerly effective under the general tariff on imports from the United States.

I should point out of course that the duty now proposed is not in any sense a double or compound duty, but is alternative in that the specific duty applies, except in those cases where it would have an ad valorem incidence of lower than 27½ per cent, in which event the minimum ad valorem becomes effective.

Mr. BENNETT: I have two observations to make. One is that this is an effort to secure some revenue from advertising which comes into this country from other countries. Having abandoned half a million dollars in revenue from advertising, we are now endeavouring to secure something by increasing the intermediate tariff on advertising such as is mentioned in the item. It will be observed that we are still continuing to secure something from illustrated advertising periodicals. The late government provided that, commencing at a twenty per cent advertising content, an increasing quantity of money should come into the exchequer from that source. That having been abandoned, the item we now have is to substitute in favour of those countries enjoying the intermediate tariff, which would mean the United States and other countries, a 27½ per cent rate instead of a thirty-five per cent rate which was paid on advertising from the United States at a time prior to the trade agreement. Because at that time advertising from the United States came in under the general tariff.

When the minister says that it meant a payment of forty-five per cent I cannot quite follow him, because the maximum to be paid was only thirty-five per cent; it did not matter what happened.

Mr. DUNNING: Not less than that.

Mr. BENNETT: Yes, not less than that; it is the maximum.

Mr. DUNNING: There was a higher duty previously.

Mr. BENNETT: Yes, I am trying to point that out. If computing a duty at fifteen cents per pound you did not get the thirty-five per cent, you imposed the thirty-five per cent rate. That is, if fifteen cents per pound was not the equivalent of the thirty-five per cent rate, you imposed that rate in the alternative.

Mr. DUNNING: But if it was more—

Mr. BENNETT: If it was more there was no rebate, that is all.

Mr. DUNNING: Yes, that is right.

Mr. BENNETT: So that so far as the 35 per cent is concerned you cannot tax it higher than that rate, and you must not tax it lower.

Mr. DUNNING: No less than the rate.

Mr. BENNETT: You must not tax it less.

Mr. DUNNING: Yes, but you may tax it more.

Mr. BENNETT: Unless 15 cents per pound amounted to more.

Mr. DUNNING: That was the condition.

Mr. BENNETT: That was not the condition in regard to some items however, because the value of goods was about $800,000, 35 per cent of which would be between $280,000 and $300,000.

Mr. DUNNING: They paid $373,000.

Mr. BENNETT: Yes, they paid $373,000; therefore there must have been a substantial body of goods which came in on which 15 cents per pound amounted to more than 35 per cent.

Mr. DUNNING: That is correct.

Mr. BENNETT: Which is not in the alternative, at all. It is a flat rate of 15 cents per pound which must be paid on all goods, if it is equivalent to 35 per cent of the value. But where it is less than 35 per cent of the value the addition has to be made up so that it will be 35 per cent. For instance, if we take an article worth only 10 cents per pound and compute 15 cents, the rate will be much more than 35 per cent. But if you take another article worth $10 per pound and add 15 cents to it you have to impose the 35 per cent rate. That is all there is to it.

Mr. DUNNING: That is the real difficulty, as I might point out to my right hon. friend.

Mr. BENNETT: It is only a question of administration.

Mr. DUNNING: If my right hon. friend will permit me—

Mr. BENNETT: It is only a question of administration. Under our arrangements with the United States what would happen would be that they would get their goods in for 12½ cents a pound under the intermediate tariff, as it stood, or until we make this amendment, but at not less than 35 per cent in any case.

Mr. DUNNING: Not under the intermediate.

Mr. BENNETT: Under the intermediate as it was prior to the first of January or whatever date it was. We now say that instead of getting their goods in at 12½ cents a pound there shall in no case be paid less than 27½ per cent ad valorem, as against the general tariff. That is the effect of it. There is a reduction of 7½ per cent as between the intermediate and the general. It still leaves us in the position of not receiving any revenue whatever from the largest body of advertising that comes into this country. I am not going over the ground again; I did it yesterday and two days ago, but we have now given up that enormous body of advertising as a source of revenue which last year yielded us half a million dollars.

Mr. DUNNING: I desire only to explain the reason for the item. I thought I had developed it, but apparently I did not do so completely. When we extended to the United States the intermediate tariff this was one of the items in connection with which a great change from the administrative point of view immediately took place. Under the general tariff there had been provided under the former government a rate of 15 cents per pound, with a rate of 35 per cent ad valorem. When that change was made no change was made in the intermediate column; the intermediate remained at 12½ cents per pound. Now this tariff per pound is applying on printed matter of all values, and just imagine the difference between the value of a draft of a simple advertisement, on the one hand, and a highly developed piece of art work for advertising purposes, on the other. Yet under the intermediate tariff both were taxed at so much per pound, regardless of the fact that the value of one might be and often was fifty to a hundred times the value of the other.

Representations were made to me by those in Canada who produce the finest type of lithographic work that their products should not be placed in quite the same class for duty purposes as the cheaper products of the printer's art. It just amounted to this, that on the finest type of art work the degree of tariff worked out ad valorem to slightly under five per cent, whereas with respect to advertising in bulk of the cheaper type it might well run up to and did go as high as from thirty to forty per cent. By the means adopted here, of a specific duty but with a minimum ad valorem, it is hoped to equalize that factor.

Mr. BENNETT: I followed the hon. gentleman; he need have no misapprehension in that regard. I only point out that we have reduced the duty payable on imports from the United States by 7½ per cent.

Mr. DUNNING: More than that.

Mr. BENNETT: It would be a little more having regard to value, but it still remains 12½ cents a pound; there is no change in that It used to be 15 cents a pound under the intermediate, so there is 2½ cents a pound less on advertising coming in from the United States, plus a reduction of 7½ per cent ad valorem, if the conditions mentioned were to obtain; that is, a minimum of 27½ per cent instead of 35 per cent. Now if our importations for the year ended March, 1935, from the United States, paying a minimum of 35 per cent and 15 cents a pound, were as large as the hon. gentleman indicated, not the whole $800,000 but a substantial part of it, I question whether ample protection has been given to the Canadian industry against the class of competition it has to meet. I recall pretty definitely that when we increased the rate it was in consequence of the advertising competition we had to meet; we made a minimum rate of 35 per cent as against the old rate, and that increase did have the effect of adding to employment in Canada and developing to no inconsiderable degree the artistic talents of Canadian workmen and workwomen in the various advertising agencies in the country.

The trade agreement, of course, necessitated our dealing with the intermediate tariff instead of the general. The United States had been on the general and are now on the intermediate, and dealing with the intermediate we have provided that they shall pay a rate of not less than 27½ per cent ad valorem; but the base rate, instead of being 15 cents a pound, as it was for the year ended March 31, 1935, has become 12½ cents a pound. So we have really done this: We have reduced the base rate from 15 to 12½ cents a pound on advertising coming in from the United States, which amounts to a considerable reduction, and then in addition we have said that in any event the duty paid on this advertising shall not be less than 27½ per cent of its value, whereas for the year ended March 31, 1935, the ad valorem provision was 35 per cent. The two together must mean a very substantial additional competition to be met by Canadians with a limited production as against the mass production of their great competitors.

Has the minister the figures of the United States imports as distinguished from other countries?

Mr. DUNNING: The imports from the United States for the last few fiscal years expressed in dollars are as follows: 1931, $2,044,000. There appears to be in my figures a jump to the year 1934, when the imports amounted to $649,000; there was an increase in 1935 to $826,000, and for the fiscal year 1936 an increase to $943,000.

Mr. BENNETT: Three months of 1936 would be under the agreement.

Mr. DUNNING: Yes, three months would be under the treaty and therefore not subject to the limitation which is now being imposed. Production in Canada amounted in 1934, the last figures we have, to $2,000,000 for catalogue production, and for printed advertising matter, $13,100,000.

Mr. BENNETT: I confess, Mr. Chairman, that I was more surprised at this item than at almost any other item with which I have had to deal in the tariff. The Canadian business in this one item amounts apparently to $15,000,000.

Mr. DUNNING: Enormous.

Mr. BENNETT: An enormous business. I could hardly credit it when it was first brought to my attention. I scarcely thought it possible that we were producing so much, apart altogether from newspaper advertising. Our production amounted to $1,250,000 or $1,500,000 a month. I think it would have been well to leave that intermediate tariff at 35 per cent, having regard to what our own experience was. I have heard the reasons adduced against it, but I doubt, and there is some reason for it in the figures the minister has given, whether this will be sufficient protection. For three months of the period for which the minister gave the figures the duty was 12½ cents a pound, without restriction, and it may well be that the steps now taken will tighten that up; I believe they will,

but whether or not it is ample for the maintenance of our $15,000,000 business, I cannot say. It did strike me, when I was looking at it, that it was questionable whether it was sufficient. I know that the minister is dealing with it from the point of view of what he thinks fair for the interests concerned, and if he thinks 27½ cents is ample he must have good reason for so thinking. But having regard to my own experience and the magnitude of the item, of which I had no idea until it was first brought to my attention, I doubt whether we are warranted in substituting for the old 35 per cent rate a 27½ per cent rate, added to the fact that we have made the poundage rate 2½ cents less against United States imports. That is my fear; I hope I may be wrong.

Mr. DUNNING: I have gone into the matter with some care, particularly having regard to the figures. As a matter of fact, there was a surprisingly small increase in the first three months relatively to what might have been expected.

Mr. BENNETT: It was $900,000 in the year.

Mr. DUNNING: Compared with $826,000 in the previous year. I find there are one or two things operating in connection with this item. One is the rising price level in the United States, which is of considerable importance, and another is the important psychological effect of our regulations that American printed matter shall have on it "printed in the United States." There is no doubt that this does have an effect—

Mr. BENNETT: A very marked effect.

Mr. DUNNING: A marked effect, yes. It has a marked psychological effect in the business. Having regard to the fact that there was $943,000 worth of imports out of a total business of $15,000,000, I felt, after examining all the factors, and not losing sight of the excise tax as an additional consideration, that this was fair; and I must say I have had no representations to the contrary from any of the interests affected since it became known that this proposal was to be made. By and large, I think it will hit the mark.

Mr. STEWART: I assume that the discrepancies in value for duty purposes on the poundage basis were not apparent prior to this change in the United States agreement.

Mr. DUNNING: Yes, because the government of which my hon. friend was a member, in dealing with the problem, adopted the principle which we are here reinstating in connection with the intermediate tariff.

Mr. STEWART: But under the tariff as it existed before the trade agreement with the United States, when this was put under the preferential rate, there was not such a discrepancy in the rate on the poundage basis as there has been since it has come under the preferential tariff.

Mr. DUNNING: Oh, yes; it immediately reverted to what it had been previously.

Mr. STEWART: While you had the poundage basis and the percentage rate, there was not the same difficulty as there has been since.

Mr. DUNNING: Of course not, because of the wide disparity in the value of the articles dealt with under the item.

Mr. STEWART: How long has that provision "printed in the United States" been in force in connection with advertising of this sort?

Mr. DUNNING: Many years; I cannot say how long. I do not remember personally when it was not in effect, but it has had a cumulative psychological effect.

Item agreed to.

Customs tariff—180a. Photographs for use only as news illustrations, under regulations by the minister: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: The only change is in the wording, which permits agencies to bring in news illustrations for the use of small newspapers. "Sent to the press" was the old wording—photographs sent to the press for use only as news pictures. The new item is photographs for use only as news illustrations.

Mr. BENNETT: It is not the plates, but merely the photographs.

Mr. DUNNING: Yes.

Item agreed to.

Customs tariff—180d. Photographs, paintings, pastels, drawings and other art work and illustrations of all kinds, whether originals, copies or proofs, for reproduction in periodical publications enjoying second class mailing privileges (other than daily newspapers): British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 25 per cent.

Mr. DUNNING: I have an amendment to offer. The change proposed in this item, as compared with the printed resolution in Votes and Proceedings, is the addition of a proviso which will explain itself:

Provided that goods which are entitled to entry free of duty or at a lower rate than as indicated in this item shall not be entered at the rates specified in this item.

The item itself is a rather confused one in its development. The intent of the budget

resolution was of course to provide relief rather than to add burdens, and we wish to be sure, by means of the proviso, that that will be the effect. I would ask the committee to note that the item is restricted in its operations to reproduction in periodical publications enjoying second class mailing privileges.

Mr. BENNETT: Other than daily newspapers.

Mr. DUNNING: These are the publications most vitally affected.

Mr. BENNETT: But why single them out as against the daily newspaper, which now does give us illustrations of important world events? Is this our publishers again?

Mr. DUNNING: My hon. friend will notice that item 180a immediately preceding deals with photographs for use only as news illustrations; they are free. The daily newspaper of course uses that—the ordinary newspaper. Paintings, pastels, drawings and other art work and illustrations of all kinds, whether originals, copies or proofs, for reproduction, are dealt with in this item and are intended for an entirely different class of publication.

Mr. BENNETT: The word "photographs" appears in both; that is the point.

Mr. DUNNING: Well, there are photographs and photographs. The amendment also drops the phrase "for daily newspapers," which eliminates the possibility of duplication of the two items.

Mr. BENNETT: It does eliminate those words?

Mr. DUNNING: Yes.

Mr. LAPOINTE (Quebec East): I beg leave to move the amendment.

Mr. BENNETT: The proviso is rather amusing—provided that goods covered by another item shall not be included in this. It is a rather amusing way of putting it, is it not? If you amend item 2 of the tariff and say, "provided that items under 1 and 3 shall not come under this item"—well, it is rather strange.

Mr. LAPOINTE (Quebec East): It has to be done only once to be of any use.

Mr. BENNETT: Quite so.

Mr. DUNNING: The qualification has appeared in one or two other places in the tariff in the past.

Mr. BENNETT: Yes, but it is an amusing way of putting it.

Mr. DUNNING: It has the effect of avoiding unexpected trouble in the way of an upward movement in some article when as a matter of fact a downward movement is really intended.

Mr. BENNETT: In that regard I was going to direct the minister's attention to this fact. He will observe that the general tariff is 25 per cent, which is the maximum under the present general tariff in any way that you may arrange the item. With respect to the intermediate there are three tariffs: one is free and the others are 22½ per cent. With respect to the British preference there are three—free, 15 per cent and 15 per cent. I take it that this is a consolidation of all, and they are all made free. That is what it looks like.

Mr. DUNNING: Extracts from them.

Mr. BENNETT: The extracts include some of the free?

Mr. DUNNING: That is the point.

Mr. BENNETT: And some of the 22½ and some of the 25?

Mr. DUNNING: That is the point.

Amendment agreed to.

Mr. BENNETT: That strikes out the daily newspaper? It no longer exempts the daily newspaper from the benefits of the item?

Mr. DUNNING: That is right.

Item as amended agreed to.

Customs tariff—183. Newspapers, or supplemental editions or parts thereof, partly printed and intended to be completed and published in Canada; comic and pictorial sections, non-advertising, to be inserted in or folded with periodical publications entered for mailing purposes as second-class matter: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. MacNICOL: It appears to me that this item should have been divided in two. The last part, "comic and pictorial sections, non-advertising, to be inserted in or folded with periodical publications entered for mailing purposes as second-class matter," should have come in under another item, perhaps coupled with 473a, which will be referred to later. After the budget was brought down I visited a number of printing and publishing houses in Toronto and got some information with reference to the last part of item 183. One printer told me that he had purchased many thousands of dollars' worth of machinery to print just the kind of articles that are mentioned in the last half of this item and which are now to be admitted free.

Mr. DUNNING: The pictorial sections, you mean?

Mr. MacNICOL: Yes. I have in mind a well known magazine, although I cannot at the moment recall the name of it. I was told that in the case of that magazine the front page, which includes the back page, will come in free under this item, and that were it not for this item those particular pages would be printed in this country. But as on the other side they print a great number of the front pages to be sent out as window displays, to attract public attention to the magazine, and all they have to do is to run off a few more copies, 1,500 or 2,000, and ship them into Canada to take care of the Canadian trade. That particular printer thought that this was a hardship to Canadian publishers, and it strikes me that way too. Again, if the original plates or electrotypes from which the articles in the last half of item 183 are printed were imported into this country, they would have to pay under item 473a, a 7½ per cent duty. It does not seem reasonable that the finished article should come in free while the electrotype or plate that is imported for printing in Canada will have to pay a 7½ per cent duty. The combination of those two items cannot do other than deprive Canadian workmen of employment. In fact I was told in the course of the conversation I mentioned that this item, in conjunction with the provisions of the Canada-United States trade agreement pertaining to the printing of American magazines, has resulted in the releasing in Toronto alone of 250 girls who were employed for binding, and in conjunction with this item an additional number of pressmen have been and will be laid off. I was in business for a long time, and I cannot see any other result of the adoption of this item than the reduction of employment in Canada. I know the minister does not want to do anything like that. I realize his sincerity and I am convinced that he, as much as anybody else, wants to provide work for Canadians. But here is a tariff provision which means reducing employment in Canada. I cannot see it in any other way. The American people themselves are convinced that it is going to work considerable benefit to them. I remember seeing a few days ago in one of the Toronto papers a dispatch from New York dated March 30 which had been republished in Toronto. One part of it reads as follows:

> One striking result of the recently initiated reciprocal trade agreement with the United States has been a tremendous increase in sales of American magazines in the dominion, one magazine alone showing a gain of 125 per cent over last year. As a consequence the advertisement of American products in Canada has increased proportionately, and it is expected that this will result in a corresponding stimulus to American sales of all kinds.

If that be true—and I have no reason to doubt it—an increase of American sales in Canada as a result of these glorified catalogues which are now flooding our market cannot fail to reduce employment in Canada. I suggest to the minister that the item be divided in two. Let the first part of it end at the words, "published in Canada," and then make a new item covering "comic and pictorial sections, non-advertising, to be inserted in or folded with periodical publications entered for mailing purposes as second-class matter," and place whatever the minister considers to be a reasonable duty against the importation of these comic and pictorial sections, because if these latter are published in Canada it cannot result otherwise than in providing employment in printing, in the production of paper and ink and whatever else is required to produce them. In all sincerity I put that to the minister. I believe every member wishes to increase employment in this country, although all do not see the problem in the same way. I have tried to demonstrate, however imperfectly, that the item as it now appears cannot but result in reduction in employment in Canada, but if it were divided, the latter half taken out and a duty placed on the matter therein referred to, employment in Canada would benefit. I do not know whether the minister can do anything at the present time, but I hope that if he cannot he will do something about it later.

Mr. BENNETT: I can cover what I have to say before the minister replies. I regret that he has not seen fit to alter this item. Few items gave more concern to the late government than this one. It involves the question: are we doing the young children of Canada a service by putting on the free list the Katzenjammer kids and the Jiggses and that form of illustration that is coming into this country? Like most public men I am not unmindful of the effect of the influence of such pictures upon children from five to eight or nine years of age. I once was talking to a distinguished public servant—by the party of my hon. friend he is regarded as very distinguished, and is still in the service of the state—who told me that he did not permit these supplements to be placed in the hands of his young children.

In 1930 or 1931, I forget which, when we dealt with this item we dealt with it as we did for two reasons. The first was that these supplements represent additions to the Sunday newspapers that I do not think the most case hardened member of this committee would regard as being the very best literature for the children on Sunday morning. I have listened to an exposition over the radio based

upon one of these coloured supplements, and while I am not an authority at all I have observed the effect upon children of the reading of them. Take one of these coloured supplements, for instance. It leaves an entirely wrong impression as to the relations between a man and his wife. It places a premium upon fraud, lying and deceit. These two Katzenjammer youngsters of whom you see the pictures are elevated to a position of great importance because of their ability to escape the just retribution of their own misconduct. And so it goes; I could give others as well. There are some, of course, that are quite the opposite, that have some value from the standpoint of teaching children the habits of wild animals and matters of that sort, but after much consideration this item was dealt with as indicated.

The duty we imposed amounted to 15 per cent, 22½ per cent and 22½ per cent. Now these supplements are to enter free when they come into this country prepared for use as supplements to our newspapers, which was the second point dealt with by my hon. friend for Davenport. The hon. member dealt with that question so fully that I am not going to attempt to repeat what he said, but there is no doubt as to what will be the result in regard to employment. There are weekly newspapers in Canada that print these coloured supplements themselves, but the greater number of them are syndicated from the United States, already printed; they are shipped here in great quantities and then folded in with the Sunday newspapers. There is also another supplement, reproduced on calendered paper—

Mr. DUNNING: Rotogravures.

Mr. BENNETT: Yes, rotogravures, which also would be covered by this item as it now stands, I take it. I do know that a substantial amount of revenue was derived from that source. I happen to know that one newspaper imported those supplements, printed the name of the paper upon them and added them to the Sunday issues, and that newspaper paid us substantial sums in the way of revenue. In a sense those are educational, in a general way, containing as they do pictures of current events of world wide interest, and broadly speaking I think they are to be commended. But when you get down to the others, I do not know whether Moon Mullins adds greatly to the store of knowledge of young and growing children. I am not an authority upon that—

Mr. EULER: You are pretty familiar with him.

[Mr. Bennett.]

Mr. BENNETT: I am. Fortunately I have reached an age when the formative period is past and it is not likely to be very injurious to me. If it were I should think it highly undesirable that I should be here. That, however, is the reason that governed in placing the duties on the items in this schedule.

Then there is the other question. Is it necessary to add to the profits of the Sunday newspapers by supplying employment to people out of Canada in order that Canadians may purchase these works of art under the circumstances indicated? I think not, and I did hope that the government would not attack that item at this time. It is just one more of those unconscious influences that are moulding the character of the next generation. If we look abroad and see the lack of discipline that obtains in some sections of this continent I think we will agree that there was never a moment of greater necessity for the imposition of those safeguards that were thought desirable in days gone by in order to shape, form and mould national character along lines that at least would reflect something of the genius of our civilization, the civilization that was built up by the generations that have now gone to their rest, rather than the idea that man owes no duty to his fellows and that an undisciplined horde constitutes a nation. I think that is a very improper conception; I know it is not shared by the minister, by the government, by the supporters of the government or by any hon. member in this house, but I cannot help thinking of the effect of this change. When we were putting on this duty I explained the matter at great length; as a matter of fact I think I took too much time, but in those days I said that we could not measure unconscious influences. All we can do is speculate, but we do know what the effect has been in some countries. Let me repeat that it cannot be good for youngsters to believe that there is merit in deception and fraud, as many of these pictures indicate, and that the reward of the deception of parents and of a lack of discipline is happiness, satisfaction and pleasure. That is all I have to say about it, but I feel very strongly though I am not directly affected by this change. I believe it is a bad thing for Canada.

Mr. DUNNING: Well, Mr. Chairman, with the sentiments expressed by my right hon. friend with respect to this matter I am quite sure there will be no disagreement in the committee. I am only compelled to point out to him again, however, as I have on former occasions, that although he did place a duty of 15 cents per pound against the Katzen-

jammer kids and all the other pictures of which he speaks and which he deems to be injurious to the morals and the proper intellectual development of our children—

Mr. BENNETT: I did not say the morals.

Mr. DUNNING: —there was no diminution in the supply of that kind of material. If we are going to approach this problem from, shall I say, the very lofty standpoint taken by my right hon. friend, we must choose other machinery than that of levying an impost upon this literature for the benefit of the treasury. Surely that is evident from the experience of the last five years.

It is said sometimes by the ladies that an old maid always knows a great deal more about bringing up children than a mother knows, and while I thought of that as my right hon. friend was speaking I did not think of it in any ribald sense at all; rather, speaking as a father, I was quite appreciative of the understanding displayed by the right hon. gentleman. It is rather difficult, you know, to raise children by the method of prohibition. I suppose my right hon. friend may be finding that out now. I venture to suggest to him that during his own youth the prohibited thing had a certain value in his eyes if he even became aware of its existence.

Mr. BENNETT: I had parents who saw that prohibition meant prohibition.

Mr. DUNNING: As long as the iron hand of discipline was on my right hon. friend prohibition meant prohibition, and by the time he attained to years of discretion the lessons then learned had become so ingrained that he has continued to follow them throughout his life.

Mr. BENNETT: That is the reason he sits here six hours a day.

Mr. DUNNING: That is the reason he is capable of doing so. However, my reason for rising to speak was not for this rather pleasant interchange, but to deal with the question the hon. member for Davenport (Mr. MacNicol) asked with respect to employment. I know the hon. member will not forget that the newspaper comes in free at the present time, because there was no duty under the intermediate tariff formerly effective, and once the United States obtained the privileges of our intermediate tariff newspapers from there came in free. That is one point. With respect to the inserts to which the hon. member referred, may I point out that representations are made to me by those interested in the printing of American magazines in Canada that the privilege of importing inserts will in some cases at least have the effect of retaining in Canada the printing work of certain magazines, and will also involve work for Canadians in the printing on the other side of a highly artistic insert and also the facing page. Indeed one of the objects of this proposal is to meet the representation that it would be helpful in retaining in Canada this printing work with respect to the magazines to which my hon. friend refers. I am referring now not to the pulp type of magazine, the low grade kind of which so much has been printed in recent years in this country, but the higher type of American magazine which has been printed here during the past few years and the printing of which in some cases at least may be retained in Canada by reason of the liberty to import the inserts, the remaining printing on the insert as well as the facing page being done in Canada as part of the arrangement for printing the magazine here.

Frankly I am not sure myself that it is altogether good to have the printing of all sorts of magazines brought into Canada. I know these things give a certain amount of employment, but there are other factors. Prior to 1930, before the duty was imposed, hon. members will remember how time after time in this house we were exhorted to put on a duty. What for? To keep out literature which was described many times in this house as derogatory to the building of character and as productive of a bad effect all round. In fact samples were produced here from time to time and we were told to impose a tariff in order that our young folk, and older folk too for that matter, should not be exposed to the slimy temptation of this sort of reading matter. Now, everyone knows that the introduction of the tariff did not achieve that end.

Mr. BENNETT: No, but we do know that the publishers in Canada struck out of the Canadian editions offensive sections published in their home editions.

Mr. DUNNING: Maybe they were not so bad, but I venture to say that my right hon. friend's cheeks would blush at much of the literature produced even in Canada during the past five years. Be that as it may, it is certain that the liberty to produce it here under the shelter of a tariff did have the effect of creating in a measure a vested interest in the production of that class of magazine in Canada. We must recognize that. We are hearing about it every day now. I am not inclined seriously to regard the future in that respect, particularly as under the general provisions proposed, of which this is one, the higher type American magazine will have some incentive to continue publication in Canada.

The advantage will not of course apply to those of the cheaper order, because they do not use inserts of the kind described.

Mr. MacNICOL: I have listened attentively to what the minister has said. During my survey among the printers I found support for item 178, which is already passed, and I am under the impression that the minister is confusing the remarks I made in reference to the last half of 183 with the endorsation he received from the printers of 178. During my survey a number of printers told me they had written to him, or proposed writing to him, in opposition to the last half of 183, whereas I have no doubt that some of them had also written endorsing 178. But in no print shop did I find any sentiment in support of the last half of 183. That is one reason why I did not rise when 178 was under discussion, because my information from the printers was generally in favour of 178.

Mr. MARCIL: I have had opportunity on several occasions of discussing the moral aspect of this matter. The economic side has been thoroughly discussed and explained. We are not interested just now in knowing the amount of revenue that will be received by the government—although heaven knows we need all we can get—but what we are chiefly interested in is to bar out the class of literature which should not come into Canada at all. There are two ways by which it reaches Canada, one through the post office and the other by railway or aeroplane. I should like to know what censorship exists over that class of reading matter. Is there real censorship in the minister's department or the Post Office Department to prevent that class of reading matter from coming in? No matter how high the tariff against it may be, people who are inclined to read that rubbish will pay the price to get it. In the interests of the younger generation it should be barred from the country. I discussed this matter many years ago with Mr. Hocken, who frequently made references to it in the house; I shared his views, and I know the house realizes that this is the greatest service we can render to the younger generation. I should like to know from the minister whether there is a real censorship, and under what department it operates, to keep this class of matter out of Canada.

Mr. ILSLEY: Item 1201 of schedule C of the customs tariff, which is the schedule of prohibited goods, reads as follows:

Books, printed paper, drawings, paintings, prints, photographs or representations of any kind of a treasonable or seditious, or of an immoral or indecent character.

[Mr. Dunning.]

This item is administered by the Department of National Revenue, the organization set up in the department being continued just as it has been during the past few years. This matter was dealt with when the estimates of the Department of National Revenue were before the house; but I do not know whether the hon. gentleman was present on that occasion.

Mr. MARCIL: How many publications have been barred, say during the last year?

Mr. ILSLEY: I would have to get that information.

Mr. MARCIL: Does the post office exercise any supervision? As far as I am concerned that is the important point. The question of revenue is secondary.

Mr. ILSLEY: There is a provision in the Post Office Act, with which I am not very familiar, but which empowers the Postmaster General to deny the use of the mails to such matter.

Mr. STEVENS: I agree with the Minister of Finance that perhaps it is impossible through the tariff to exercise censorship over the publication of certain types of supplements to newspapers and magazines. May I draw his attention, however, to what strikes me as an anomaly in the schedule? Under item 183, the one under discussion, we place on the free list newspapers, supplementary editions and comic and pictorial sections to be inserted. But, under item 473a, printing plates of all kinds for periodical publications enjoying second-class mailing privileges, and matrices, metal bases and copper shells therefor, carry an intermediate duty of 7½ per cent and a general duty of 25 per cent. It appears to me that these items represent a contradiction of the principle of tariff making, if I may so describe it. The finished product is admitted free, but the materials with which Canadian firms might and indeed do produce these publications carry a tariff. I am not suggesting that item 473a should be entirely on the free list, but I suggest, as did the hon. member for Davenport, that item 183 ought not to be completely free. I believe there is more in the question of employment than would appear on the surface. Men working in the printing trades in Canada have been having difficult times, just as have men in similar trades in the United States. There is no question about that. There has been a sharp falling off in newspaper circulation and commercial printing, so that printers generally in common with many other classes of workmen have been going through difficult

times. It does not appear to me that the admission of comic and pictorial supplements would be any contribution to the consumer of Canada, as is very often argued. In other words there would be no great loss if the present tariff were continued. On the other hand, without any doubt there would be a definite loss in employment. I have listened with care to the minister's views on the point, but I fail to appreciate the force of his argument, because I cannot see how there could possibly be as much printing along the lines he indicated, where partly printed sheets were shipped in and Canadian printers did the remainder of the work. I do not believe there would be anything like as much labour or employment as exists at present where these publications are produced substantially in Canada.

I shall admit frankly that there would be an inconsistency in the position I am now taking if one were dealing with the matter from the point of view taken by the leader of the opposition, because I am suggesting that we should allow matrices to come in under item 473a. That I suggest should be permitted until we are ready to clean house in connection with publications of this kind. On the other hand I should like to urge upon the minister that item 183 be returned to its former position. I have not read the treaty arrangements with the United States, but I do not believe this is one of the items. I do not think our friends to the south of the line would consider that in any sense we had violated the spirit of the treaty; certainly I would not wish that to be the case. It is highly desirable that we should stimulate friendly relations between these two neighbouring countries. But on both sides of the line I am sure it is recognized that where any action affects the employment of its people the country affected should have the right to control its position.

I do not believe anything one can say will alter the situation, but I have no doubt the minister is impressed with the views so happily put forward by the hon. member for Davenport, the leader of the opposition and other hon. members. I am adding my word in the hope that even yet the matter might be reconsidered and the duty left on this particular item.

Mr. DUNNING: Possibly without the intention to do so, the hon. member has helped me. Referring to item 473a he has refreshed my memory in connection with a review I made of the situation. I do not wish to be out of order in my observations, but the hon. member's remarks afford me an opportunity to develop my point respecting the employment aspect of the problem. There is no doubt in my mind that if we had made printing plates of all kinds for periodical publications free under the intermediate tariff, it would have been very helpful to the printing trade. But I am also sure it would have been very harmful to an industry which does employ a good deal of labour at this time in the production of the plates described in item 473a. The hon. member does not suggest I should do that.

Mr. STEVENS: No.

Mr. DUNNING: The hon. member does suggest that a duty should be put on the material mentioned in item 183.

Mr. STEVENS: Yes.

Mr. DUNNING: Viewed again from the standpoint of employment, my information is that there is only one plant in Canada producing this class of article, and that all other newspapers in the country have to import for insert purposes the material described in item 183. And remember, only one plant developed that class of business even in the five years during which the tariff prevailed at the former level. That being so the employment aspect of item 183 is indeed limited. On the other hand all newspapers in Canada are in competition with American newspapers containing supplements. This is an item which requires careful consideration from the point of view of many different kinds of employment. The hon. member is correct when he says it is not a treaty item, but it arises directly out of the operation of the treaty, because the adoption of the intermediate rate in so many cases brought about considerations which had to be taken care of. This was one of them, namely between the printing trade on one hand and those who produce lithographs, plates and so forth, on the other. I must say that by and large I have had very little complaint and some commendation with respect to the way in which this matter has been dealt with in the proposals now before the committee.

Mr. STEVENS: I appreciate the minister's observations. Would it be at all objectionable to him if the general tariff in this instance were restored? At present most of this business has been between Canada and the United States, but the general tariff has been there against other countries, and importations may start from other countries as to whose possibilities in this class of trade we have now very little knowledge. It might be well therefore to leave the duty under the general tariff until we learn something more about that future trade.

Mr. DUNNING: I would not have any material objection except that it would be ineffective for the reason that the only larger countries which are now under the general tariff, speaking from memory, are China, Mexico, Turkey, Greece, Abyssinia and Russia. The element of language enters into the possibility of importations under an item such as this, and while the intent behind my hon. friend's suggestion is sound, the practical effect of adopting it would I think be quite negligible.

Mr. MacNICOL: What is the minister's objection to dividing the item? I quite appreciate what the minister has said about newspapers with regard to the first half of the item, but what is the objection pertaining to periodicals under the last half?

Mr. DUNNING: I thought I had stated that. The importation of inserts is represented to me by those producing magazines in Canada as one of the factors which may help them to retain the printing in Canada of the higher type of American magazine, which is the type of magazine that uses inserts. Being produced in the United States a piece of art work for insert purposes can be shipped into Canada to be bound with the remainder of the magazine printed in Canada, and it involves in practically all cases some printing in Canada on the insert itself and on the facing pages. It is represented to me by some of those who produce these magazines in Canada that admitting these inserts under the conditions set out in the item may help to retain in Canada the work of printing some of these magazines. I think on the whole the item had better go through as it is. I must say that I have had very little difficulty from outside with regard to the item during the two weeks since it first became public.

Mr. MacNICOL: The minister has had some representations?

Mr. DUNNING: Oh, yes, but they have been pretty well divided. I was just asking the commissioner a moment ago. It apparently depends on the class of work the printer is engaged in whether he commends this item or one or the other part of it, or recommends that it be reconsidered. On the whole I think my hon. friend will find it is a pretty fair solution of a somewhat difficult technical problem.

Mr. WILTON: Is there any regulation in effect or are any efforts made to prohibit the bringing into Canada from the United States of communist or red literature which is being circulated widely throughout Canada? This kind of stuff is published in New York, shipped in here almost daily, and distributed throughout the whole of Canada, to the detriment of the youth of the country and Canada generally. It is literature of a type that is opposed to law and order, tends to drag down the best things we have, to wreck government institutions, and opposes almost everything that is good, and yet it is allowed to be circulated throughout the whole of Canada. In the city I represent handbills and various other types of printed matter, which comes in from the United States, are frequently distributed, usually at night, which is when they do their work, like rats in a hole, carrying on their nefarious work after dark. What is being done to protect Canadians against that kind of rotten literature?



Mr. ILSLEY: Mr. Chairman, the item in schedule C of the customs tariff which I read a few moments ago in reply to an inquiry of the hon. member for Bonaventure (Mr. Marcil) prohibits the importation of books, printed paper, drawings, paintings, prints, photographs or representations of any kind of a treasonable, seditious, immoral or indecent character, and if literature arrives at one of the custom houses of Canada and there is any reason for considering it treasonable or seditious, it is held and examined, and perhaps prohibited. As the hon. gentleman will appreciate, there is often disagreement as to whether a publication is of a treasonable or seditious character. What he considers treasonable or seditious might be regarded by one of his colleagues to the left as merely enlightening and educative, and for that reason the Department of National Revenue has difficulty from time to time in making decisions which meet with the approval of everyone. However, if the hon. gentleman will bring to my attention the publications he has in mind, or will send them to the office, we will make a ruling on them, and if we decide that they are treasonable or seditious they will be prohibited entry into Canada. But if they come in secretly or illegally, that is something the Department of National Revenue cannot control, and in such an instance would, I suppose be a matter either for the preventive service or for the police of the province in which the publication circulates. There are other provisions for the control of such publications, such as the provisions in the criminal code which prevent the publication of what are called seditious libels.

Mr. BENNETT: That is for domestic purposes.

Mr. ILSLEY: Yes, if they are published within the country and delivered by one person to another.

Mr. BENNETT: That is not what is meant by that.

Mr. ILSLEY: Perhaps I am wrong about that, but if they are published in the ordinary sense within the country it is a violation of the terms of one or more sections of the code. I believe also, though I cannot speak with much certainty as to this, that there is a provision in the Post Office Act which enables the Postmaster General to deny the use of the mails to certain types of literature such as the hon. member for Hamilton West (Mr. Wilton) has mentioned.

Mr. WILTON: There cannot be any doubt as to the class of literature I refer to being seditious. It prints "down with the government" and that kind of thing. I do not think there could be any doubt in the mind of any intelligent person that it is seditious. I am of opinion that perhaps it does not all come in regularly through the customs but finds its way through secret channels that have no right to exist, and a closer check-up on the part of the officials of the department or by the police responsible could stop it. That kind of stuff is being circulated, I think, in all our cities—I know it is in Hamilton,—and, as I have said, is usually distributed at night. From information I have received I know it is distributed from headquarters in New York not a stone's throw from Times Square, where in a basement they prepare, publish, and send out this rubbish to the various branches of the red element throughout Canada. It seems to me that an effort should be made on the part of the secret service to check-up on this kind of thing which is undermining and against the very best things we have in the country.

Mr. BENNETT: My attention was directed not long ago to an editorial in a weekly newspaper published in New York, an old paper, referring to His late Majesty King George V in terms so offensive that no decent British citizen could read it without a feeling of strong resentment. That one editorial of itself would undoubtedly have justified one, had one known of it before hand, in taking steps to prevent that issue from entering Canada. But inasmuch as the newspaper circulates and there is no repetition of anything of that kind, I think we are powerless to deal with the matter. I do not see how under the existing law we could. The minister is more familiar with it than I am, but I could not see any way of dealing with that particular situation. We could deny the publishers the privileges of the mails as a punishment for a past offence, but that is not the general principle of the law. The article was a most scurrilous one and I will show it to the minister some day. I have never seen anything quite as bad. I wonder what action we can take that will adequately deal with such offences, because we cannot prosecute under the criminal code or any other statute, though we could deny the publishers the mails as a punishment for having thus insulted us. But, as I say, that is not the general principle of the law. I am uncertain on that point and I was going to speak to the minister about it under this item.

Mr. NEILL: I would remind the minister that it is not only from abroad that seditious or immoral literature is circulated in Canada; there is a good deal of such literature originating in this country itself. As regards the latter literature it may be said that we can prosecute, but one of the greatest difficulties is to find out who publishes such matter. About ten years ago, as a private member, I succeeded in getting through the house a bill compelling all publishers to keep a record of those who had employed them to publish any article or pamphlet. The bill went through this house unanimously, the members understanding its purpose; but unfortunately it met an untimely death in the other chamber. I have seen in Canada literature which it would be a disgrace to anyone to read. We had a pretty shrewd idea of the town in which it was published but there was no way of bringing it home to the offenders because we could not find out who had printed it. In drafting the bill to which I have referred I followed the British law, which provides that for a period of six months the printer shall keep a record of all those employing him to publish any article, and if such article is found to be seditious or in any other way undesirable the publisher, as a means of avoiding liability himself, must disclose the identity of those for whom he has printed the offensive matter. There is a good deal of seditious literature published in British Columbia today, and it would be of assistance to the forces of law and order if it were known who published this literature. Sometimes it is actual print and sometimes it takes the form of mimeographed matter, but the law would apply in either case. If the government would introduce a bill, and the leader of the opposition would use his influence in another chamber to get it through, it would help to put a stop to the publication in Canada of such offensive literature.

Mr. DUNNING: I do not want to hold up the item, but what the hon. gentleman has said does come home with peculiar force when one is occasionally the subject, as I suppose all of us are at times, either jointly or individually of scurrilous and anonymous pamphlets. In the light of a recent experience I am impressed with what has been said. I should like very much to find out who was responsible for the printing of a certain elaborate pamphlet which was circulated throughout Canada. My right hon. friend is involved along with myself. I know he will not appreciate being in my company in such a publication—

Mr. BENNETT: The feeling is entirely mutual.

Mr. DUNNING: The feeling is entirely mutual, and the publication illustrates the point. I mention it only for that purpose and not to direct public attention to something not worthy of it. The writer had not the courage to sign his name or in any way to acknowledge authorship; in fact, he apparently took great pains to conceal his identity. That speaks for itself. It seems to me that we should ask ourselves what machinery we have or can create with respect to publications of that kind. I feel sympathetic to the remarks of my hon. friend, but so far as I am concerned it is not a matter of making law; it is a question of how to enforce it when once it is enacted. My legal friends tell me that there is a law with respect to the matter about which I have just been speaking, but obviously you must catch your hare before you can cook it, and in this instance it appears impossible to trace the authorship.

Mr. NEILL: The bill which I managed to get passed through this house was simple, because on the pamphlet the name of the person publishing it had to be printed.

Mr. DUNNING: But suppose he does not do that.

Mr. NEILL: The printers in the town are generally fairly well known, and when the publisher's name must appear on the pamphlet the discovery of the author is simplified.

Mr. DUNNING: But the kind of man we are speaking of would not obey that part of the law.

Mr. BENNETT: Because he has already committed a greater offence. Since the minister has mentioned this matter I may make a few observations. I agree with him; we should overhaul the law in that regard. There is a magazine that persistently attacks not only members of this house but others; it does so in the sacred name of liberty and of freedom of speech and of criticism, and it is circulated rather extensively. It is true that one of the proprietors was convicted and sentenced to a term in gaol, but nevertheless the magazine continues to be published. Nothing more libelous or false could be published than some of the references in that publication. I did not know anything about it until I received a letter from someone in British Columbia stating that he had read something in that magazine. I did not know what he meant and I asked him to send it to me. The assertion was that $1,300,000 had been given by a certain interest connected with the Montreal harbour bridge to one of the political parties; that the other political party was sharing equally in the spoils, and that I personally should have been punished because I permitted Gundy to sell bonds to the extent of $19,000,000 when the law said that only $6,000,000 worth could be sold. Obviously that sort of thing greatly incenses people. This gentleman wrote to me saying that he would like to have an explanation. The assertion I have cited was mild compared with other statements in the magazine. I remember someone showing me the document to which the minister has referred, a most scurrilous attack on the hon. gentleman. To write a letter to the newspapers denying this rotten sort of thing is only to provide the publicity which the author seeks.

I fear that the remedy suggested by the hon. member for Comox-Alberni would fall far short of adequacy, for the reason that in the very circulation of these mimeographed or printed copies the perpetrators are committing a greater offence than that of failure to indicate the name of the publishers. I am going to be perfectly frank about this. There is among political parties a habit of rejoicing in being able to circulate information and attacks of this sort, and that is the reason amendments are made to the law. Then we hear the cry of liberty and freedom. Attacks of this kind are not limited to any one party; do not think I am in any sense trying to attribute them to one party. But unless the people of this country are willing and prepared to take some steps to protect their rights, they may find them entirely disappear. That has been the history of other countries. The right is not the right of abuse; it is the right of free criticism. The right of free criticism is entirely distinct from the right of abuse—

Mr. DUNNING: Anonymous scurrilous abuse.

Mr. BENNETT: —of an anonymous kind. I do not wonder at the resentment expressed by the Minister of Finance; I saw enough of the details to know that I would have resented the pamphlet. But think what I have been subject to in the last five years as compared with that! At odd moments I have even been called a murderer.

Mr. DUNNING: Not as bad as that.

Mr. BENNETT: Oh, yes. Anonymous documents to which the hon. gentleman referred were circulated from one end of this country to the other charging me with the murder of a poor unfortunate man in Regina. That was quite a commonplace observation, and that sort of thing does make one wonder where law is. The late W. F. Maclean, who was in this house for many years, stated that we must do something to clothe the federal power with authority to carry on prosecutions for contraventions of federal statutes. In the United States they have their federal marshals, their federal courts, and their federal prosecutions as distinguished from state prosecutions.

Mr. DUNNING: One of Mr. Maclean's last speeches in this house was devoted to this subject.

Mr. BENNETT: Was it? I was not in the house at the time, but I recall his having very strong views about the matter. To mention one instance; take the statements made by Arthur Evans. Yet the province had the right to say whether he should be prosecuted; the province says that he is not to be prosecuted, and that is all there is about it; he goes free. It is true that nine others have been prosecuted and convicted. But this has nothing to do with the great and fundamental principle that if we are going to maintain rights we must enforce the law against those who try to deprive themselves and us of it in the name of liberty and freedom, because freedom does not mean licence, neither does liberty. Attacks of the kind referred to are being made in this country at the present time. I am sure that the very discussion which has taken place this afternoon will be the subject of lampoons and attacks that will be anonymously circulated from one end of the country to the other.

Mr. MARCIL: One great argument of the late Mr. Maclean had to do with the administration of the federal system and the weakness of its laws. The laws are passed here but they are put into force by the provinces. If the provinces take no action the law becomes a dead letter. That has been the great objection to the federal law as it now exists. As the leader of the opposition has said, at the present time the enforcement of federal laws rests largely with the provinces, and if a province takes no action that is the end of the story. I have often heard discussed in this house whether we should not have an officer, with something of the standing of the Lord Chamberlain in England, who would exercise general censorship all over Canada, and have authority from the dominon and the provinces to control theatres and matters of the kind to which reference has been made. There has always been this controversy between the provinces and the dominion. Of course it is primarily a matter for legal gentlemen to discuss, but undeniably it is one of the weaknesses of our federal system.

Mr. MacINNIS: If we go too far into censorship there is a danger of falling short of providing the protection that is essentially required. We should keep in mind that probably there is no country in the world where the government is more secure than in Great Britain, and there is no country in the world where freedom of speech and freedom of the press are so strongly established as in the British Isles.

Mr. BENNETT: Not that kind of speech.

Mr. MacINNIS: It seems to me that that fact is proof positive that very little danger need be feared from sedition or seditious utterances, whether by word of mouth or by the printed word. I am no more than any other member in favour of the circulation of what is termed communist or scurrilous literature in so far as it is scurrilous or libelous or misleading. I have had the distinction, which is possibly shared by very few members of this house, of having been opposed in the last election by a communist, so that perhaps I can speak with some little authority on the matter. As regards the point raised by the hon. member for Comox-Alberni (Mr. Neill) I think something should be done. I have in mind something that happened in the Ontario provincial election of 1934. The Cooperative Commonwealth Federation or some adherents of that party published a weekly paper for some few weeks at the beginning of that year. It went out of business, I believe, in February. But in June, during the campaign, an issue of that paper appeared, bundles of which were sent to all the Cooperative Commonwealth Federation committee rooms, although certainly neither the

federation nor any one belonging to it printed or paid for that paper. Those who did so had not the courage to put their signatures on it. They did it in order to mislead the electors. We were not altogether free from that kind of thing in British Columbia during the last election. I think that is of more importance than even seditious literature, because it is misleading and it deceives the very people who should be truthfully informed on the issues of an election. If something could be done to curb that sort of thing I should be glad to support it. But as regards banning things that we are not in favour of, just because we do not like them, I think we should go very carefully in that direction, because what is seditious to-day may not be seditious to-morrow.

Item agreed to.

Customs tariff—197d. Tissue paper made from mulberry pulp, not coated nor impregnated, when imported by manufacturers of stencils for duplicating machines for use exclusively in the manufacture of such stencils in their own factories: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 25 per cent.

Mr. DUNNING: This is a very peaceful item. The mulberry pulp referred to is produced only in Japan for a special kind of duplicating paper.

Item agreed to.

Customs tariff—199b. Containers wholly or partially manufactured from fibreboard or paperboard, per pound: British preferential tariff, 1 cent; intermediate tariff, 1¼ cents; general tariff, 1½ cents.

Provided, that in no case shall the rate of duty under the intermediate or the general tariff be less than: intermediate tariff, 30 per cent; general tariff, 35 per cent.

Mr. McKENZIE (Lambton): Under the present intermediate tariff, containers enjoyed a protection of 1¼ cents a pound. That was not enough for the box makers or the carton manufacturers, so the item was increased to thirty per cent, which was quite a sizeable increase. The old rate under which manufacturers of boxes and cartons operated should be plenty of protection for them. This item is not so favourable to the men who manufacture articles which, in order to sell them, they must put into containers of this kind. It works a handicap on them because the thirty per cent duty almost invariably means thirty per cent additional costs. I have in mind, as relevant to this matter, a particular manufacturing concern that has to buy raw material upon which there is twenty per cent protection, and to put its product into boxes or containers on which there is thirty per cent protection. A competing article is brought into Canada in a finished state, in a container, and pays a duty of only 7½ per cent. Surely that is manifestly unfair, and I think there should be some way of putting it right.

Mr. WALSH: During the course of some remarks earlier in the session I drew attention to the fact that certain items of the tariff bore a specific duty, and certain items an ad valorem duty. This is one of the items I had particularly in mind, and I am glad that my hon. friend brought up his suggestion, which I want to emphasize. After careful investigation I am firmly convinced that the paper-box manufacturers of this country are overprotected at the present time. With this specific duty their protection was quite adequate at the prices for which paper-boxes and containers were selling when the duty was first imposed. To-day this same duty represents almost fifty per cent. The result is that the people who use these containers and boxes have to pay more than they would otherwise do. I would not favour reducing the duty sufficiently to admit paper-boxes or containers from another country; they can and should be manufactured in Canada. I feel that the Canadian manufacturer of paper-boxes is overprotected at the present time and is taking advantage of that overprotection with the result that the user of that material in Canada, who has to put his finished articles into those boxes, is paying almost fifty per cent more than he would pay if the duty were reduced to normal protection.

In connection with the adjustment of the tariff as a result of the agreement with the United States I have in mind a manufacturer who had the tariff on his finished article reduced by 2½ per cent. That does not sound very much, but I can assure the Minister of Finance that it meant a considerable amount to that particular industry. He is a manufacturer selling very close to the line, and when this additional advantage of 2½ per cent was given to his American competitor, in order to keep out the American product he had to reduce his price to the point where he could not make a reasonable profit. On top of that he is forced to pay a high price for containers in which to place his finished product.

I want to ask the Minister of Finance if it would not be possible to make this an ad valorem duty instead of a specific duty, and to make that ad valorem duty twenty-five per cent rather than what it is at the present time. This specific duty raises the price of these paper-boxes made in Canada by almost fifty per cent, and the manufacturers are taking full advantage of that to the detriment of other manufacturers who are forced to use these

containers. So I would ask the minister if he would give some consideration to that suggestion so that these people who have suffered because of the trade agreement with the United States might have their difficulties ameliorated to that extent at least.

Mr. WOOD: I should like to make a little contribution to this debate, and perhaps the minister could answer us all at the same time.

Mr. DUNNING: I will if I can keep it all in my head. Perhaps the hon. gentleman will allow me to clean up this point, because I am inclined to believe that his question may have a different bearing, and at times I get a little confused when I have too many things to remember.

This paper container item is one of the items resulting from reports of the tariff board on references by my predecessor in office. The committee must realize that there are paper containers and paper containers. Such a wide disparity in value had the effect last year, under a specific duty, of creating an ad valorem range as great as from five per cent to forty per cent. That was the actual condition revealed by the inquiry, that a tariff incidence of a specific duty, translated into ad valorem terms, on the articles actually imported showed a range as wide as from five per cent to forty per cent because of the wide range of values involved in containers wholly or partially manufactured from fibreboard or paperboard. What I bring to the attention of the committee to-day is the result of the investigation by the tariff board, at which representations were made both by the users of all classes of these containers and by the manufacturers. The only change suggested by the tariff board report is an ad valorem rate which will equalize the bearing of the specific rate now in force. The recommendation is as set out in the item, that while the duty should remain at 1¼ cents per pound by weight it should not be less than thirty per cent ad valorem.

My hon. friend from Mount Royal and my hon. friend from Lambton-Kent have in mind manufacturers of specific commodities who put them into some type of paper containers. Naturally, in drafting the tariff item, the tariff board had to have in mind the whole range of paperboard and fibreboard containers, and also the whole range of manufacturers using those containers, and I should point out that while I have heard the representations made this afternoon by the two hon. members, I do not think I have had any other complaints. I may have had one or two among the thousands of letters I have received, but there has been nothing which has impressed itself on my mind as a complaint with reference to the finding of the tariff board in connection with this particular item. The commissioner tells me that he knows of none at all. When I inform the committee that within the last two months I have had 3,261 separate communications with regard to the tariff, it will be seen that anyone who has had any complaint has been fairly active in supporting it by written representations and otherwise. If, therefore, the cases mentioned have to do with manufacturers of specific commodities which go into these containers I am sorry I cannot accept that view as against the considered opinion of the tariff board that heard all the interests affected.

Mr. WALSH: I have the complaint in my hand; it was more in connection with corrugated boxes and containers of that type. While the minister was speaking I was wondering whether the item could not be changed to bring it more into line with the type of tariff imposed upon textiles, a small specific duty and a balancing ad valorem duty, making it a combination item.

Mr. DUNNING: That is what it is.

Mr. WALSH: But the thirty per cent is too high. The Canadian manufacturer of these boxes, as far as my information goes, does not require more than twenty-five per cent protection, and at the present time he is getting fifty per cent.

Mr. DUNNING: Does my hon. friend's information come from the man who makes the boxes or from the man who fills them?

Mr. WALSH: It comes as a result of an investigation by a man who uses the boxes.

Mr. DUNNING: But it is his point of view.

Mr. WALSH: It is his point of view, but his point of view is that this manufacturer making these corrugated boxes made about four hundred per cent on them last year, which to my mind is pretty high. I feel that the user of these boxes as well as the manufacturer should get some consideration. We are all interested in lowering the price of commodities, and if the paper-box manufacturer is going to hide behind a high tariff —well, personally I am a tariff man as everyone knows; I believe in the tariff; I believe in protection, ample protection, but I do not believe in protection at such a level that the consumer pays more for his article as a result of that protection. In this case the paper-box manufacturer is being given too high a

premium, and we as consumers are paying for it. For that reason I should like to see it placed at a maximum of twenty-five per cent. I do not know what representations were made before the tariff board, I do not know what influenced them in their findings, but I am convinced that the information I have is correct; that the representations that I received from this manufacturer were made in good faith, and that he is anxious to get this amelioration. It is in the interest of his business, which at the present time is just running on the border line; it may mean to him the difference between a profit or no profit, and possibly a loss. I am making the suggestion that the protection should not amount to more than twenty-five per cent, which I feel is ample.

Mr. DUNNING: Now that my hon. friend has identified the commodity as the large, heavy corrugated box he has thereby defeated his own argument, for the heavy corrugated type of container is the type to which the thirty per cent ad valorem would never apply, because the weight factor involved would ensure that the specific duty would always produce a rate as high as or higher than the one he has just specified as a minimum. That was all developed before the tariff board. I may point out further that it is the old tariff rate; there is no change there. In fact, under the Canada-United States trade agreement there was a reduction of one-quarter cent a pound in favour of the manufacturer to whom my hon. friend refers. My hon. friend's suggestion of a reduction of the minimum ad valorem to twenty-five per cent would not help his friend, because the duty is now levied upon that particular commodity on a weight basis. Surely there must be a difference in the basis of value for duty between that large corrugated paper container and the little paper container which holds a tube of shaving cream. How could you possibly assess value for duty by the pound on paper containers for tubes of shaving cream as compared with the large corrugated paper container which takes, for example a dozen or score pairs of boots or shoes or things of that sort? That is why after a thorough and rather difficult examination the tariff board reached this conclusion. This very instance demonstrates the value of inquiry by some body outside this committee into matters of this kind. Of course all of us are affected by representations made to us by concerns or individuals. Hearing their side of it we naturally feel that an injustice is being done, and as members of the committee we voice our views. But this emphasizes the value of having in addition the guidance of an independent examining body which has examined all the parties interested, or all who care to appear. I do not want to be in the position of holding the tariff up, goodness knows, but when an independent examination has been made and the suggestion is made by the tariff board, following a reduction under the Canada-United States trade agreement, that what is required in this case is a qualifying ad valorem to equalize the bearing as between the heavy but cheap type of paper board container and the light but expensive type, then I am inclined to place reliance upon the body which heard the evidence and which discussed the matter with all the parties affected.

[Mr. Walsh.]

Mr. WOOD: I have been interested in this discussion primarily because it is refreshing to hear the hon. member for Mount Royal asking for the tariff to be lowered on one item at any rate. It is a pretty good indication that on the other side the high protection idea is at least beginning to crumble.

Mr. BENNETT: This is a tariff board item.

Mr. WOOD: I am also interested in the matter of containers. While tin cans may not come under this particular item, the same principle is involved. There is in my constituency an industry that has to pay 27½ per cent duty plus 3 per cent excise on containers in which its commodity is put up, while the Americans can send in their containers filled with the same product at 17½ per cent. That is something the minister might well look into. I do not see why our own people who are putting up this commodity should be discriminated against, in view of the fact that a reduction of tariff would reduce the cost. As the hon. member for Mount Royal ably pointed out, a high tariff does increase the cost of production; he has given that contribution to the discussion from that side and helped us to convince parliament that such is the case. What applies to paper cartons would also apply to tin containers or any other kind of container by which the Americans get an advantage of having their goods come in here at 17½ per cent while industries in this country have to pay 27½ plus 3 per cent.

Mr. DUNNING: I recognize the difficulty on that point.

Item agreed to.

Customs tariff—200a. Regenerated cellulose, and cellulose acetate, transparent, in sheets, not printed, and manufactures of regenerated cellulose or of cellulose acetate, n.o.p.: British preferential tariff, 20 per cent; intermediate tariff, 30 per cent; general tariff, 35 per cent.

Mr. DUNNING: It is just the addition of the letters "n.o.p.", made necessary because of the succeeding item.

Mr. BENNETT: Is that cellophane?

Mr. DUNNING: Yes.

Mr. BENNETT: What were the importations under this item?

Mr. DUNNING: They amounted to $148,000. There is a new item 696a which renders it necessary to create this "n.o.p." item.

Item agreed to.

Customs tariff—206. Dragon's blood; fuller's earth, in bulk only, not prepared for toilet or other purposes; litmus and all lichens, prepared or not prepared; musk, in pods or in grain; quassia juice; saffron, saffron cake, safflower, and extracts of; quinine, salts of; cochineal; ferment cultures to be used in butter-making: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: The only change in either rates or wording is the deletion of the reference to vaccine and ivory vaccine points. This is essential because of the next succeeding item. I have an amendment on the next succeeding item.

Item agreed to.

Customs tariff—206a. Biological products, animal or vegetable, n.o.p., for parental administration in the diagnosis or treatment of diseases of man, when manufactured under licence of the Department of Pensions and National Health under regulations prescribed by the Food and Drugs Act: British preferential tariff, free; intermedate tariff, free; general tariff, free.

Mr. DUNNING: The amendment is to cover veterinary products of the same type and intended for the same purposes in animals as the biological products in the printed item are intended for human beings.

Mr. BENNETT: Is that the correct description of the administration? Is it "parental"?

Mr. DUNNING: That is a typographical error.

Mr. BENNETT: I suggest the word "parental" is used improperly.

Mr. DUNNING: I understand "parenteral" is the correct word, and it means to give food other than through the alimentary canal.

Mr. ILSLEY: I move:

That tariff item 206a, as contained in resolution No. 5 of May 1, 1936, be amended by adding thereto the following words:—"; and biological products, animal or vegetable, n.o.p., for parenteral administration in the diagnosis or treatment of diseases of animals or poultry, when imported under permit of the veterinary director general."



Mr. DUNNING: When I saw the word "parental" in the item I made inquiries, because I was sure it was not the proper word. A check was made by the Department of Public Health, and it is shown that the word is not spelled correctly in the item.

Mr. BENNETT: Quite so.

Mr. DUNNING: I am informed that "parenteral" is the correct word.

Mr. McCANN: Yes, that is the correct word, and the process is known as parenteroclysis.

Amendment agreed to.

Item as amended agreed to.

Customs tariff—208h. Ethylene glycol, when imported by manufacturers of anti-freezing compounds, to be used exclusively in the manufacture of anti-freezing compounds in their own factories until September 1, 1936: British preferential tariff, free; intermediate tariff, free; general tariff, free.
Thereafter: British preferential tariff, free; intermediate tariff, 15 per cent; general tariff, 15 per cent.

Mr. BENNETT: This item will place ethylene glycol on the free list for four months. For whom is this done?

Mr. DUNNING: I am sure my right hon. friend knows the answer better than I do. The item has offered some difficulty for several years.

Mr. BENNETT: I know there has been difficulty for several years, but I should like to know whom this is for.

Mr. DUNNING: Offhand, I cannot say. The commissioner informs me that it is for the Canadian National Carbon Company. I was not aware of the fact myself.

Mr. BENNETT: We are making the concession for the months of May, June, July and August, and then we are going to impose the tariff.

Mr. DUNNING: Which has been done in each of the last three years.

Mr. BENNETT: I am asking because I thought the matter was settled. I thought the period of probation had passed.

Mr. DUNNING: No doubt my right hon. friend is familiar with the position taken by the British in that connection, under the conference agreement. Great Britain would not consider allowing a longer period than is provided under this item.

Mr. BENNETT: I do not understand it yet; I never did.

Item agreed to.

Customs tariff—208i. Animal glands and animal glandular organs, and extracts thereof, wet or dry (whether alcoholic or not), when imported by manufacturers of pharmaceutical or medicinal preparations for use exclusively in the manufacture of such preparations in their own factories: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. BENNETT: What is the difference between the two items. I must say that I find it difficult to follow these items, and I cannot understand why a new item should be prepared simply to change a single word, and then have put against it a duty of sixty per cent when it was free before. This item had a sixty per cent levy against it.

Mr. DUNNING: Yes, these very glands, because they were carried in alcohol. This entirely new item is inserted in the tariff for the purpose of facilitating the work now being carried on in certain Canadian universities and medical schools in the field of medical research. These activities may be illustrated by the research in biochemistry proceeding under the guidance of Doctor Collip at McGill university. Certain experimental work under the direction of Doctor Collip is being carried on, in conjunction with the activities of certain commercial laboratories whose facilities have been placed at his disposal. I have before me a technical description of the glands in question. The fact is that in the past they have been imported in ethyl alcohol, and because of that they carried a rate as high as sixty per cent.

Mr. BENNETT: Were they imported wet or dry, because if they were imported wet they were in alcohol, and if dry they were not?

Mr. DUNNING: I have before me a note which indicates that fractions were imported in preservative alcohol, and that the duty rate in such case was sixty per cent, sixty per cent and sixty per cent. While the alcohol is there purely as a preservative vehicle and is not used upon arrival, nevertheless the Department of National Revenue have ruled that a duty must be imposed upon a commodity in alcohol.

Mr. BENNETT: I am not going to take up the time of the committee in a long discussion, but I have always objected to the attitude of the department in this connection, and to the ruling that when you use a preservative you must tax the item so preserved at the rate prevailing for the preservative. I never could and still do not understand that ruling. The ethyl alcohol was used for purposes of preservation, but the department says: We are going to tax at the rate of sixty per cent, because the alcohol carries that rate. I say that the thing preserved is the thing being imported, not the preservative. But I must admit there was no use arguing with them.



Mr. DUNNING: Of course the attitude taken by the Department of National Revenue is that the alcohol could be and has been extracted.

Mr. BENNETT: But very seldom, at the present price of alcohol.

Mr. DUNNING: I can see my right hon. friend has been through the whole course of instruction from the administrative department which a Minister of Finance must take in these matters.

Mr. STIRLING: The new item gets over the difficulty?

Mr. DUNNING: Yes.

Mr. BENNETT: By putting them all on the free list. It is all right now, because it is all on the free list; that rectifies the alcohol, and everything else.

Item agreed to.

Customs tariff—219d, agreed to.

Customs tariff—219e. Chloropicrin, cyanides, or mixtures containing either chloropicrin or cyanide, for use in combating destructive insects and pests: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: I have an amendment to move. The purpose of the amending resolution is to include reference to a new fumigant to which attention has been directed by the Department of Agriculture since the budget was brought down. It is called ethylene oxide, and at this stage of the proceeding we insert those words. The new item is introduced in view of the fact that the dominion entomologist has suggested that it would be to the advantage of users of fumigants in Canada to have ethylene oxide included within the scope of the item. It is not made in Canada.

Mr. ILSLEY: I move:

That tariff item 219e, as contained in resolution No. 5 of May 1, 1936, be amended in wording to read as follows:—219e: Chloropicrin, ethylene oxide, or cyanides, or mixtures containing any of these, for use in combating destructive insects and pests.

Amendment agreed to.

Item as amended agreed to.

Customs tariff—224. Sealing wax: British preferential tariff, 15 per cent; intermediate tariff, 22½ per cent; general tariff, 25 per cent.

Mr. DUNNING: There is no change in rates or wording, but there is provision for the elimination of paraffin wax formerly in this item. It is now taken out and put into the gasoline and oil item.

Item agreed to.

Customs tariff—259. Lard oil and neat's foot oil: British preferential tariff, 15 per cent; intermediate tariff, 22½ per cent; general tariff, 25 per cent.

Mr. DUNNING: The same thing here, with the exception that sesame seed oil is taken out.

Item agreed to.

Customs tariff—259a. Sesame seed oil: British preferential tariff, free; intermediate tariff, 22½ per cent; general tariff, 25 per cent.

Mr. ILSLEY: I move, Mr. Chairman, that the words "sesame seed oil" in item 259a be amended to read as follows:

Sesame seed oil, crude.

Amendment agreed to.

Mr. BENNETT: Is there any importation to any extent, and where from?

Mr. DUNNING: About one thousand dollars' worth was imported, $466 from Japan and $314 from the United States.

Mr. BENNETT: What is this used for?

Mr. DUNNING: It is one of the important vegetable oils, and is used in combination with other vegetable oils, the commissioner advises me. I have a memory of sesame seed oil in some other connection.

Mr. BENNETT: Ruskin had something to say about it at one time, I remember.

Mr. DUNNING: Here is the dictionary definition:

Annual herbaceous tropical and subtropical plant with seeds used in various ways as food and yielding an oil used in salads and as laxative; its seeds; open sesame, magical or mysterious means of commanding access to what is usually inaccessible.

Item as amended agreed to.

Customs tariff—259b. Rapeseed oil, crude or refined: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: This is a new item which permits free entry under all tariffs of rapeseed oil, crude or refined. It was formerly an unenumerated commodity coming in under item 711. Under the Canada-United States trade agreement free entry was accorded to blown rapeseed oil, which is refined rapeseed oil further processed. Certain plants in Canada using rapeseed oil have expressed a desire to do the blowing themselves, and free entry is being provided.

Mr. BENNETT: Is there much of it used in Canada?

Mr. DUNNING: It is used as a base in lubricants.

Item agreed to.

Progress reported.

At six o'clock the house took recess.

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## After Recess

The house resumed at eight o'clock.

## CRIMINAL CODE

### PROPOSED ABOLITION OF HANGING AS DEATH PENALTY

The house resumed, from Friday, March 13, consideration of the motion of Mr. Blair for the second reading of Bill No. 10, to amend the criminal code (death penalty).

Hon. ERNEST LAPOINTE (Minister of Justice): When this bill was last before the house for second reading I moved the adjournment of the debate for the purpose, as I intimated then, of trying to secure information from the various places where the method suggested by my hon. friend is in force, and also for the purpose of communicating with the attorneys general of the various provinces of Canada, because the administration of justice, including criminal justice, is under the control of the provinces.

We communicated with the five states of the American union where the method of lethal gas for the execution of condemned persons is in practice. These states are: Nevada, where they have had the system since February, 1924; Arizona, since November, 1933; Colorado, since 1934; Wyoming, since 1935; and North Carolina, since the early part of 1935. In every one of these states there is a central place of execution, namely, the main gaol of the state.

The method is not at all a complicated one nor is it expensive. It is administered by the government of the state itself and the guards in these prisons do whatever is necessary to carry out executions. This method does not require the services of any technical expert, for almost any guard in the prison is able to do what is necessary.

As to the humaneness of this method of execution, that of course is a question of point of view; but in those states where it has been

in practice the officials claim that it is a far more efficient and a more humane method than the other system. As to whether, as a deterrent, it is as efficient as the other, that again is a matter of opinion.

We also communicated with the various provinces, through the law officers, the attorney general or rather the deputy attorney general in every province, who answered our queries. They are to a large extent reluctant to express their opinions, though most of them would rather favour the change if it were proved to be more efficient and more humane. Some of the provinces would like very much to have only one place of execution. For instance, both the attorney general of New Brunswick and the attorney general of Nova Scotia strongly recommend that instead of having executions carried out in the various gaols in these two provinces they should be carried out at the penitentiary, which is in Dorchester, New Brunswick, for the maritime provinces.

Mr. BENNETT: It would be very unfair to the inmates of the penitentiary.

Mr. LAPOINTE (Quebec East): Maybe; that is one of the possible objections to the change and it would have to be investigated. I instructed one of the officers of the Department of Justice, Mr. Plaxton, to visit those places in the five states which I have mentioned. He has prepared a report giving all the details and the opinions of physicians who have something to do with executions, and on the whole I must say it is rather favourable to the change. This, however, would involve such a radical departure from the present law and practice in Canada that I am of the opinion that this matter should be thoroughly studied and further investigated, at least until the next session of parliament, so as to give public opinion in the country time to express itself respecting the question what it would be best for us to do.

Of course, if the change suggested by this bill were accepted, there would have to be one place of execution in the maritime provinces, one in Quebec and Ontario, and one in the west, and there is the objection to which my right hon. friend has just alluded. Then there is this other fact to be considered. As the situation is to-day, under our law, apart from the exercise of clemency where the federal government has to advise the representative of the crown, the death sentence is executed absolutely independently of anything that this parliament or the federal government may do. The matter is entirely under provincial jurisdiction. The province is responsible for carrying out the execution, the sheriff in every district being the responsible officer in charge.

There are in certain quarters many delusions as to the law and the practice. In days gone by and even this very year I have received as Minister of Justice letters from persons applying for the position of hangman, such persons evidently believing that it is a federal office; and if there were a vacancy some people would be quite willing to be appointed. We have nothing to do with that. The sheriff of each district where an execution takes place is entirely in charge. He retains the executioner, whoever he may be, and the executioner is not in any way connected with the federal authorities nor is he a federal officer. If a change were made, and if instead of having the executions in every district, they were to take place in the penitentiaries, arrangements of some kind would have to be made if the province were still to be responsible. I admit that I would prefer that the present system, as far as responsibility for carrying out executions is concerned, should remain under the provinces rather than be under the federal authorities, where the exercise or the refusal of clemency lies. I think it is a good thing that these two matters should be under different control.

All these considerations will have to be studied; every phase of the matter will need to be investigated. I would suggest that a committee of parliament should deal with the question, look into every consideration, if necessary hear witnesses, including experts. But obviously that could not be done this session, and I would suggest that my hon. friend withdraw his bill for this year and reintroduce it at the next session of parliament.

Right Hon. R. B. BENNETT (Leader of the Opposition): I am sure we have listened with great satisfaction to the observations of the Minister of Justice (Mr. Lapointe), indicating as they do that he has given a great deal of consideration to the subject matter of the measure that has been introduced by the hon. member for Wellington North (Mr. Blair). Under our constitutional system this parliament determines what acts constitute crimes, and this parliament awards the punishment for a violation of the statute which it thus makes. It rests with the provincial authorities to carry into effect any sentence that may be imposed, whether it be death or imprisonment or otherwise, but it is for the federal authority, on the one hand, to provide the penitentiaries, and, on the other, for the provinces to provide the gaols in which

imprisonment is made. That is one of the anomalies of our constitutional system.

The form which punishment for murder or any other offence punishable with death should take has been a subject matter of discussion, I suppose, ever since there has been law. There are two factors to be considered. One has to do with the punishment, which is determined by this parliament; the other has to do with the effect of that punishment upon society. One is intended to operate as punishment of an offender, the other as a deterrent against the repetition of such acts by other members of society. There is no doubt that the form which punishment takes has been regarded from the earliest dawn of history as important in determining the value of punishment as a deterrent. It will be recalled that in the very early days death was inflicted sometimes through stoning the offender to death, in other cases by beheading the offender. But hanging was always an ignominious form of death. Hence it was that when men in military service were convicted they pleaded that they should not be hanged but that they might be shot, because one was such an ignominious form of death as compared with the other. My reading induces me to believe that hanging is far, far more effective as a deterrent than any other form of punishment which has been devised. While the putting to death of a convicted criminal by suffocation, by asphyxiation or in a lethal chamber may indeed be a very humane method, with all deference I have to say that it is not humanity we are concerned about in the inflicting of punishment, it is the preservation of society from those who have offended against it, and the method of punishment that we resort to is not to find the most humane method by which to punish the offender, but in the same act to punish and to deter. I frankly say I do not know of any method that we have yet had upon the statute books of any country, that is more calculated to operate as a deterrent than is hanging. Whether we like it or not, that, at least, is the evidence of history, and it cannot lightly be disregarded. It arises from the ignominy that attaches to that form of punishment. For instance, in the days when a prisoner was beheaded, it will be recalled that very frequently the body was put in irons, taken to a near-by tree and suspended there, and left hanging as an example to all who might pass that way as to what was the ultimate reward of the felon. In some cases the bodies were quartered, and they were buried under conditions that we should regard as revolting, as for example, when a stake was driven through the corpse. One who reads the Calendar of Newgate will find there striking illustrations of the facts to which I allude.

I think we can derive some lesson from what the practice in England has been. There is no country in all the world in which there is a higher regard for law than there is in the British Isles, and to this day the punishment of the man convicted of murder is hanging. We adopted it when we founded our criminal jurisprudence. In one part of the United States they have followed the practice of hanging. I believe that in one state of the union they still shoot the offender, and there are countries in Europe in which the murderer is shot to death. As those will remember who have read a recent book published by the warden of Sing Sing, electrocution was introduced into the United States, as it has been into other states, and it has been found to work satisfactorily. Yet when one reads of it, and realizes the steps that are taken to make it effective, I think one will conclude that the method which is adopted as part of the criminal jurisprudence of Great Britain and is still followed here is the most satisfactory method, having regard to the second branch of the purpose of the execution of a criminal. So, when I heard the Minister of Justice make the observation he did, I felt that he properly reflects public opinion. There is such a thing as a maudlin sentimentality with respect to the criminal that has brought about a condition in society which is not to be desired. It must be recalled that those who are punished for sins against society and for crimes against the law are, in the words of a great authority, like the mad dog or the wild wolf. They are destroyed not because of resentment or because of any feeling of animosity against them, but because, by their conduct and actions, they have made it essential for society to destroy them in order to preserve itself, and in the effort to preserve itself it necessarily must have recourse to methods which sometimes are not, shall I say, the happiest or yet the most pleasant. Therefore I repeat that I heard with much satisfaction the observations of the minister.

I would not for a moment venture to make a suggestion to the hon. member for Wellington North with his wide knowledge as a physician and his earnest desire to save human suffering, but we must never forget the person who was killed. I recall, when we had to deal with capital cases, receiving petitions signed by tens of thousands of people pleading for clemency. The rule that, I think, is the sound one is that if a murderer has been convicted

by due process of law the sentence should not be interfered with by the executive, not having seen the witnesses, because you cannot tell the weight that is to be attached to the evidence of witnesss without having seen them, without having observed their demeanour and without being in any way able to appreciate the frankness or otherwise with which the testimony was given. But when we have to consider the question of the method to be pursued we must not forget that the murderer was not very careful about the method he selected to destroy his victim. We must not forget that those about whom we are so solicitous were not solicitous for those whom they destroyed. When they wreaked their vengeance, by murder dark and foul, they were not thinking of the pain they caused or the injury they did; they were not thinking of the sorrow they caused to those who survived. In this age there are always manifestations of our becoming victims of maudlin sentimentality and thinking in terms of the pain and suffering of one whom we are removing from society because of his offences against it, but at the same time I suggest that we should never forget those who have suffered because of the offences which have been committed.

I commend the minister for not endeavouring to change the established system at this time, and for deciding to await some stronger manifestation of public opinion than we have yet seen realizing that a practice which has been followed so satisfactorily in the country where law is more highly respected than in any other part of the world is a method from which we should not lightly depart in Canada, where it has been followed for so long. I am not unmindful of the other difficulties to which the minister has referred, and which are real ones. To establish a central point at which all criminals would be sent from two or three provinces would be to put the provinces to an increased expenditure, and that burden is already great in connection with the administration of criminal justice. In my opinion this would tend to lessen the value of the effect that attaches to the second branch of all punishment, namely as a deterrent against the performance of similar acts by others.

For that reason, Mr. Speaker, without going into the matter in any further detail from either the historical or any other standpoint, I must say that I am greatly pleased that the minister has taken the view he has expressed. I cannot but hope that when all the facts have been reviewed by the hon. member for Wellington North, having regard to the effect that it is always purposed to achieve by punishment, he will agree that, consistent with humane methods and the deterrent effects, hanging has served a great and useful purpose as a method of depriving of life one who has been convicted, usually for taking the life of another. It is true under our criminal code, there are other offences, notably treason and rape, for which death is the punishment, but usually the fact is that death is awarded as a punishment—automatically it is true—when the verdict has been that the accused is guilty of murder. It will be found that in the many years during which hanging has been the punishment imposed for murder in Great Britain and other parts of the British dominions it has been a satisfactory method of taking the life of a human being by process of law, alike for punishment and for deterring others from perpetrating similar acts.

Mr. J. S. WOODSWORTH (Winnipeg North Centre): Mr. Speaker, I cannot permit the observations of the right hon. leader of the opposition (Mr. Bennett) to pass without a protest. Twice he used the words "maudlin sentimentality." I suppose some of us will be classed as maudlin sentimentalists—

Mr. BENNETT: I had no personal reference at all.

Mr. WOODSWORTH: I am just suggesting that that great, sweeping phrase probably is sufficient to include almost anyone who differs from the view expressed by the right hon. gentleman, and I was going to say that in spite of that I feel that I want to say a few words with regard to this matter.

The right hon. gentleman spoke of hanging as being effective as a deterrent, and he mentioned the evidence of history. Well, I do not pose as a great student of history, but I say that the evidence of history is not in favour of the effectiveness of hanging as a deterrent. They used to hang people for sheep stealing, for robbery, for nearly a hundred offences if my memory serves me aright, in that old England of ours, and it was largely because hanging did not prove to be a deterrent that it was given up in the majority of cases.

Mr. BENNETT: No.

Mr. WOODSWORTH: The right hon. gentleman has his view with regard to that. He has read history, but he is not the only

one who has read history. Some of the rest of us may interpret that history in our own way. I do not profess to question the fine points of law as presented by the right hon. leader of the opposition, though I find that he can argue on both sides equally well. But I am not talking about law; for the moment I am talking about history, and, as the right hon. gentleman suggests, in times past we have had all kinds of punishment, boiling in oil, drawing and quartering and a great many others. I hope he does not suggest that we should return to barbarities of that kind. He has selected the one which has persisted, that of hanging. It is true that this practice exists in England, but it is also true that there have been committees of the British House of Commons which have protested against it and have advocated something else. I think that was indicated by my hon. friend from Wellington North (Mr. Blair) in his presentation of his bill. While I have a great regard for what is being done in England I do not think we in this country need follow everything that is done there. If there is a better way of doing things we should be willing to adopt that way. I do not think we should abandon the suggested change as with a sweep of the hand.

As to the attitude of the Minister of Justice (Mr. Lapointe), it is characteristically Liberal, that is, the kind of Liberalism we have here in Canada. Do nothing. Wait. Appoint a committee. That is what we are always being told. Do nothing. Wait. Appoint a committee. Do something later.

Mr. LAPOINTE (Quebec East): Know something before you act.

Mr. WOODSWORTH: All right, know something, but this matter has been discussed the world over for a great many years, and there is no particular reason why we should continually postpone action along almost every line. If the method proposed by this bill is more humane, why not adopt it? The leader of the opposition suggests that we should not adopt it because another method would not be as great a deterrent, would be emphasizing too much the humane side. I submit that the humane side of this matter is of the greatest importance, if punishment is to be a deterrent. People are getting sick of the idea of vengeance and retribution. I submit that the greatest thing we can develop in this country is a respect for law, and that the way in which the law has been administered and to a certain extent is being administered is not developing a respect for law. There is not the impartiality in the administration of law that we should have. Unless we develop a respect for law the whole foundation of our public life is undermined. I submit that criminals as a whole may be said to be either born or made.

Mr. BENNETT: We are dealing with murderers here.

Mr. WOODSWORTH: All right; all kinds of criminals are either born or made. It used to be considered that there were certain criminal types; there may be; I do not want to go into that. There may be criminal types, as stated some years ago by some outstanding criminologists. If that is the case then we cannot very well blame the criminals; they are criminally insane; we can put them out of the way in the most humane manner possible or shut them up. In my judgment instead of adopting another method of capital punishment we should abolish it altogether; that would be the best way, and that is not maudlin sentiment. In my judgment the great majority of criminals to-day are not born that way; they are made that way by social maladjustments.

An hon. MEMBER: Tut, tut!

Mr. WOODSWORTH: "Tut, tut," says someone. I would advise my hon. friend some evening to read that outstanding novel of the criminal world, Les Misérables, with its great character, Jean Valjean. It came to my notice as a youth many years ago, and I have never forgotten it and I hope I never shall. If some who lightly brush aside these matters would read a little more carefully the history of criminals, they would understand that to a considerable extent criminal instincts have not been inherited by these people, but criminal tendencies have been fostered by poor training in childhood and the difficulty later on of finding the way into a satisfactory manner of living in our society as it is to-day. Under those circumstances I urge that it is for us to do one of two things: If law breakers are criminal in type, to take steps to prevent criminals coming into the world. That is surely more sensible than allowing them to breed, knowing that they breed true to type.

Mr. BENNETT: Hear, hear.

Mr. WOODSWORTH: If some legislation were introduced to prevent so many of those of lower mentality from perpetuating themselves we would not have the difficulty we are having to-day. I know that doctrine is not acceptable to some hon. members in this house, but it needs to be stressed. It is

nearly twenty years ago since I had the duty of making some investigation of mental defectives for the governments of the three prairie provinces, and I had occasion then to trace a large number of case histories, as well as to a certain extent go into theoretical considerations. I discovered the enormous cost being imposed upon this country by the perpetuation of those who are unfit to develop into good citizens, as well as the enormous amount of misery entailed upon themselves and others. If, instead of concerning ourselves quite so much in getting some people out of the world, we should consider more carefully whether certain classes should be allowed to come into the world—

Some hon. MEMBERS: Hear, hear.

Mr. WOODSWORTH: I am glad to find a few hon. gentlemen saying, "hear, hear" to that. For those who are not born criminals, the thing to do is to arrange our social affairs so that they may not develop criminal tendencies. That is why I am so often on my feet advocating social changes. I think I am perfectly scientific in doing so. If instead of spending so much in the building of bigger and better penitentiaries, we spent a little more in providing work and recreation and decent surroundings we would not have anything like so many criminals.

The leader of the opposition suggested that society must destroy certain people in order to preserve itself. Of course society must seek to preserve itself; I quite agree that the statement is true in those general terms. But I submit that if we simply set to work to wipe out a few individuals who have proved dangerous to society we are not really curing the social evils which we find about us to-day. Capital punishment may be the last desperate remedy, if you like. But if my reading of history is correct; if we disregard the welfare of any considerable section of the community, it is not very long, as historical time is measured, before those people in some form or another take their revenge on society.

An hon. MEMBER: You cannot do it.

Mr. WOODSWORTH: I hear someone say, "you cannot do it." I know we can do a good deal more than we are doing to-day. I know there are many young fellows just on the verge of becoming criminals whom we could save if we set forth to save them; there is no doubt whatever in my mind as to that.

In closing, because I do not want to argue this matter, I want merely to protest against the observations of the leader of the opposition. If we are going to discuss capital punishment at all it seems to me we might discuss these broader issues as well. If we must resort to capital punishment it is all to the good to see that it is effected in as humane a way as possible. We are not out for vengeance on the poor fellow who has committed the crime. As to vengeance look at some of the photographs being circulated to-day showing the mutilations which took place in Ethiopia, that is if you want to get stirred up in that way, have all the vengeance you like, as in some of the southern lynchings. But surely we do not want that; the leader of the opposition does not want that. If the punishment is to be a deterrent, let it be effected as humanely as possible; place it on a high plane. If certain people may no longer be safely allowed in society and for that reason have to be either put out of life or put away where they can no longer endanger society, let it be done with dignity and mercy.

Mr. T. L. CHURCH (Broadview): Last week in Toronto one of these executions took seventeen minutes. Last year in Montreal a woman had her head torn off. There is a demand in the country to have the present system improved or to get a more humane system.

While this bill is before the house I also wish to register a complaint about an execution last week from which the press were excluded, the first time I have known this to be done. That is contrary to sections 1065, 1066 and 1067 of the criminal code, which relate to the place of execution, the persons who shall be present and the persons who may be present. Publicity is one element of the administration of justice.

Some more humane method should be adopted. The medical council and the judges should be consulted, and probably by next year the minister could find a way for Canada to carry out its executions as a federal authority instead of leaving them to the provincial authorities. The government of Canada now seems to be administered from the provincial capitals. Section 1067 relates to the persons who may be present, the latter including any justice for the district, and such relatives of the prisoner or other persons as it seems proper to the sheriff to admit. In this case they were out on the street walking up and down, and the sheriff had no discretion; he was instructed to exclude even the representatives of the four Toronto papers, something never done before. This inhumane method of execution is just another example of the fact that Canada is at the rear rank of the procession as far as any effort for law reform is concerned in the British empire to-day.

Mr. DANIEL McIVOR (Fort William): I am almost afraid to rise to speak on this question because of its bearing upon our life, and especially our criminal life. Forty years ago I debated this subject, that capital punishment should be abolished, and I have never heard a debating club win which took the side that capital punishment should not be abolished. Invariably the abolition of capital punishment is favoured. The hon. member for St. Boniface (Mr. Howden) used the argument against hanging that it was those who carry out the execution who were being punished. I have heard guards, coming out pale-faced after an execution, saying, "God pity men who have to witness a thing like that. I would rather resign my position than have to go through that again." I am not one who believes that hanging, or any mode of execution whatever it may be helps to make our country more law-abiding. I am convinced that the enforcement of law to a great extent depends upon the character and calibre of our judiciary. Our judges and magistrates, and even our lawyers represent the enforcement of law and order in Canada.

I am convinced that criminals are not born; they are made. Otherwise I could not preach the old gospel, and neither could I take part in constructing laws for the betterment of society. If I believed that criminals were born, not made, then I would lean towards the old doctrine of fatalism. I am convinced, too, that criminals might be used in a way better than that of simply putting them out of business by coarse measures. Medical science is always exploring and attempting to find ways to help humanity. I believe it would be a good thing if a person convicted of foul murder might have his life used for experimental purposes, so that young doctors could conduct their experiments for the betterment of humanity.

Hanging is perhaps the worst form of execution. When we condemn a vile murderer we often hear the statement that hanging is too good for him. But as I said, the form of execution does not help in the administration of justice. We like to live in the Old Testament days and observe the principle of an eye for an eye and a tooth for a tooth. But we are not living in Old Testament times, times when things were at a standstill. We are living in a new day when we regard human life as sacred. If a criminal is put out of existence, then he is just in hell a little sooner than otherwise.

Mr. H. E. WILTON (Hamilton West): Mr. Speaker, to a certain extent I believe I am qualified to speak authoritatively on the subject of hanging, not because I was ever hanged, or expect to be, but because it was my unfortunate duty on one occasion some years ago, while engaged in newspaper work, to witness a hanging. I assure you, sir, that any person who has witnessed a legalized killing of a human being by the method of hanging would have no desire to see a second one.

Even if the present system of hanging were continued there are certain conditions surrounding it which I suggest should be eliminated. At the hanging to which I refer the prisoner was brought from his cell and paraded from that point to the place of execution, during which time he passed his own open grave. That in itself was perhaps worse than the actual hanging. I know it seemed to take more out of the condemned man than did even the ascension to the scaffold and the actual hanging.

Hanging as I have known it from personal experience is cruel, barbarous and everything it should not be. While I am not suggesting that we should discard the death penalty, the fact is that we are in a complex situation when we attempt to follow the divine law which stipulates a life for a life, but reject the law which says, "Thou shalt not kill." However, as long as we take a life for a life I suggest that we should do it along lines no worse than we would adopt towards animals. The society for the prevention of cruelty to dumb animals surrounds its work with more humanity than do we, as human beings, in the disposal of human lives by hanging.

For example, if a man were to hang a dog I have no doubt public sentiment would rise in indignation and protest strenuously against his action. I should not be surprised if he were brought before a court and fined for cruelty to animals. At the hanging it was my unfortunate duty to witness the man was not pronounced dead until fourteen minutes after he had been dropped. Quite recently I read of a hanging in Toronto where seventeen minutes elapsed before the death pronouncement was given. I have before me a clipping from a Kitchener newspaper stating that a man had been fined in court for cruelty to chickens. These chickens had been deformed in some way, and he had not given them the proper attention.

The laws under which human society functions give greater protection to dumb animals than we as a government give to the men whom we condemn to death. If a man breaks

a law and as a result is condemned to be hanged, then that is the law of the land, but I have never been able to believe that the law has any right to add to that man's torture further than putting him to death, in whatever way is decided. As I said before, when bodies are not claimed by relatives and are buried in the courtyard or gaol yard prisoners are marched past their open graves. That in itself at least needs correction even though the present system remains. The system of putting human beings to death by hanging is barbarous; it is antiquated; it is cruel, and we as modern people trying to live up to modern conditions, priding ourselves on being a nation of modern people with modern ideas, still continue to follow this barbarous method of putting men to death by hanging when we have the evidence before us that it takes from fourteen to seventeen minutes, and sometimes longer, after the hanging before death is pronounced. As I said before, anyone who has ever witnessed the legalized killing of a human being by hanging will forever after be opposed to it on the ground of common humanity as something inhuman, barbarous, and not in keeping with modern civilization.

I have before me another clipping here, to the effect that a man in Toronto kept his dog in the basement of his house; the humane society, believing that that was not just the proper place to keep a dog, had the man brought into court where a conviction was registered against him on the charge of cruelty to animals, and he paid a fine. Every possible precaution is taken to protect dumb animals from suffering, to prevent human beings from inflicting on them torture of any kind, and still we as a people and as a government stand by and say nothing while the state puts men to death by a method that inflicts possibly more torture than any other yet invented. Whatever system is adopted it seems to me that there are several ways of executing the death sentence which would be more humane and more in keeping with modern conditions than by putting men to death by legalized killing through hanging.

I want to put myself on record as being absolutely opposed to the system of killing by hanging. So long as the laws of this land demand a life for a life, the death sentence should be executed in at least a humane way, in a way that is as nearly painless as possible, and not surrounded with any of the gruesome details which always accompany death by hanging.

Hon. J. E. LAWSON (York South): Mr. Speaker, at the very outset I want to make it plain that I realize that the legally trained mind probably approaches this problem from a very different viewpoint from that of the theologian as illustrated by my hon. friend from Fort William (Mr. McIvor) or from that of the medical man.

The point at issue in this bill is not the abolition of the death penalty. The point is: Shall we substitute the lethal chamber for hanging? The greatest deterrent to crime in any country is the certainty of prosecution if crime is committed, and the certainty of punishment if the prisoner is convicted on that prosecution. Once a man has been convicted of murder the death penalty must be imposed, and, as I stated, the point in this bill is not as to whether we shall have the death penalty, but as to the method by which the convicted criminal shall be put to death.

A considerable number of the members of this house dwelt upon the fact that life was not pronounced extinct for a given number of minutes after the criminal in question was hanged, but if we are to consider this matter on the basis of humanity the question as to how long a time may elapse between the actual dropping through the trap in a hanging and the pronouncement by a medical man of life being extinct has nothing whatever to do with the matter. What we are interested in is: How long does it take from the moment the criminal is taken from his cell, knowing certainly that he is going to be hanged, until unconsciousness is produced? I asked both the mover (Mr. Blair) and the seconder (Mr. Howden) of the bill as medical men, when they moved and seconded this bill, if they would tell me the length of time required to produce unconsciousness from the moment the man drops through the trap and the neck is broken, which we believe is the method by which hanging is executed, thereby putting upon the spinal column a pressure which in turn produces unconsciousness. But neither gentleman saw fit to answer that question. As against that I asked the length of time which elapsed from the time a condemned murderer is taken from his cell until unconsciousness is produced in a lethal chamber.

Mr. HOWDEN: On a point of order, Mr. Speaker, I should like to correct a remark which the hon. member made a moment ago. It is true that he asked me with regard to the time which would elapse before unconsciousness occurred, and I told him at the time that unconsciousness would probably immediately follow the dislocation or breaking of the neck.

Mr. LAWSON: I am quite willing to accept that.

Mr. HOWDEN: That is what I said before.

Mr. LAWSON: In that even I retract my statement in regard to the seconder of the bill. Quite frankly my recollection is that his answer at the time in the house was quite different. The answer he has now given is what he told me over a cup of tea one day in the cafeteria, but that is neither here nor there.

Mr. JACOBS: Oh, yes, it is there.

Mr. LAPOINTE (Quebec East): If my hon. friend from York South will permit me, I have statistics as to the time it takes before the sentenced prisoner is officially declared dead in executions by lethal gas, and I notice that it is about the same time as in hanging. Unconsciousness comes after one minute or about one minute, but it takes from twelve to fifteen minutes before the man is pronounced dead.

Mr. LAWSON: That is exactly what I thought.

Mr. SPEAKER: The hour for private bills having expired the house will revert to government orders.

## SUPPLY

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

### DEPARTMENT OF NATIONAL DEFENCE

Miscellaneous—adjustment of war claims—National Defence, $68,971.

Mr. MacNICOL: What does this include?

Hon. IAN MACKENZIE (Minister of National Defence): This includes about $29,000 for the historical section, and the remainder is for the adjustment of war claims: deferred claims for war service, gratuities, some amounts for headstones, and items generally of that sort.

Item agreed to.

National Defence—salaries, $441,082; contingencies, $52,600.

Mr. MacINNIS: This is a large amount for salaries. Perhaps the minister will tell us how many officers and men are concerned.

Mr. MACKENZIE (Vancouver): There is an increase of $10,263, which is more or less accounted for by certain new positions—aeronautical engineers—and various promotions within the service.

Mr. MacINNIS: Does this item cover the staff?

Mr. MACKENZIE (Vancouver): Yes, the civil staff, but not the military.

Mr. MacNEIL: Does this include salaries for any military officers?

Mr. MACKENZIE (Vancouver): No; it is for the civil staff of the National Defence department.

Mr. MacNEIL: Does it include provision for staff at district headquarters?

Mr. MACKENZIE (Vancouver): That is under the permanent force vote, the general vote.

Mr. BENNETT: This does not cover Brigadier Caldwell.

Mr. MACKENZIE (Vancouver): No. There is a variation from the estimates of last year. The vote for administration last year was separate, but the amount for administration will be found in the general vote for permanent force.

Mr. MacNEIL: Will the minister say what the policy of the department is in regard to defence?

Mr. MACKENZIE (Vancouver): That is a difficult question to answer, but I may tell the hon. gentleman at once that the policy of the department is not necessarily a policy that changes with a change of administration. Discussing the supplementary estimates of the department the other day, I said that the policy of the department was naturally and essentially concerned with the defence of the dominion. Those who have acted as technical advisers for many years and who have studied the question have said that the defence of Canada is concerned with four possible developments. In the first place there is the defence of our own coasts; second, the defence of our neutrality in the event of war between other nations; third, the possibility, which I hope is a very remote one, of Canada being compelled at any time to dispatch an expeditionary force in order to fulfil her obligations under the terms of the covenant of the league, and in the fourth place the possible dispatch of an expeditionary force consequent upon any contingent developments in relation to our position in the British commonwealth. In my own judgment, however, the position of the defence forces of Canada comes within the first two: that is, with reference to policies which should be adopted for the defence of our own coasts if necessary, and, second, for the defence of our neutrality, the defending of focal points of trade routes in case of war between other nations. Canada's defence policy is not in the slightest degree based upon aggression; it is essentially

a policy of defence. In the last few years, as a result of economic necessity and the stringency of the times, our defence forces have been to a certain extent inevitably neglected, and a very modest attempt is being made this year to get at least an efficient force. The duty of the minister in charge, no matter what party is in power, is, I submit, to see to it as far as possible that the defence forces shall carry out the purposes for which they exist.

Mr. MacINNIS: Having stated the functions of the department, perhaps the minister will tell us how much would be required to build up the department to the point where it would be adequate to defend the dominion under all circumstances.

Mr. MACKENZIE (Vancouver): That question is more difficult than the other.

Mr. MacINNIS: That is why I asked it.

Mr. MACKENZIE (Vancouver): That would depend upon the policy which might be adopted by whatever government was directing the affairs of the country. If the recommendations of some technical advisers were adopted, it would cost a very considerable sum of money to develop the naval forces to what is considered to be the proper stage of development; to develop the air force to a similar stage; and to reorganize our land forces in the way of mechanization and the acquisition of new equipment, and otherwise along the lines now followed by every part of the British empire, by Great Britain and the countries of Europe. I could not make an estimate because that would have to be determined by whoever was dealing with the question as conditions developed and circumstances changed.

Item agreed to.

Radio services—for the maintenance and operation of the Northwest Territories radio system, $229,400.

Miss MACPHAIL: Why does this come under National Defence?

Mr. MACKENZIE (Vancouver): Because it is carried out for the benefit of the public generally in the northland by the Royal Canadian Corps of Signallers. It is largely a service for the civilian population. Ever since 1923 when it was commenced it has been gradually developing, and in addition to the ordinary services carried out in this way, very valuable weather bulletins are flashed every day from these important points in the northwest to the daily journals in Canada and the United States.

[Mr. I. Mackenzie.]

Miss MACPHAIL: Why not put this item into the estimates of some other department? I think everyone is willing to vote the amount of money, but this does not seem to be the right place to have it.

Mr. MACKENZIE (Vancouver): If any other department of government in Canada can get the same efficiency in service I have no objection to having it transferred.

Mr. BENNETT: The answer is that it is carried on by the corps of signallers, which happens to be part of the militia services. But what I was asking is: At how many points is this service being maintained? There is one at Rockcliffe, and from there going west what have we until we get to Aklavik?

Mr. MACKENZIE (Vancouver): Herschel Island, Fort Norman, Fort Simpson, Cameron Bay, Fort Chipewyan, Fort Resolution, Aklavik, Fort Smith, Dawson City, Mayo Landing, Edmonton, Fort McMurray, Norway House, Fort Rae and Goldfields.

Mr. BENNETT: And is the east included in that vote?

Mr. MACKENZIE (Vancouver): It is only for training purposes in the east. This service is entirely in the northwest.

Mr. BENNETT: What about the one at Rockcliffe?

Mr. MACKENZIE (Vancouver): That is in another vote altogether.

Mr. MacINNIS: How many persons are there in that service?

Mr. MACKENZIE (Vancouver): There are sixty-eight other ranks and eight officers.

Item agreed to.

Cadet Services

Expenses and services in connection with the training of cadets; expenses of school teachers qualifying for cadet instructors' certificates; pay and allowances of permanent force physical training instructors at normal schools, et cetera, $150,000.

Miss MACPHAIL: I should like to ask the minister—this, I think, is about the fourteenth year, but we have brought the amount down from $500,000 to $150,000—what is the number of cadets in the different provinces?

Mr. MACKENZIE (Vancouver): Nova Scotia, 1,973; Prince Edward Island, 836; New Brunswick, 2,309; Quebec, 49,216; Ontario, 21,861; Manitoba, 1,914; Saskatchewan, 1,290; Alberta, 1,315; British Columbia, 1,659; making a total for all the provinces

of 82,373, or some 5,000 less than it was in the previous year, 1934. These figures are for the year ended August 31, 1935. The numbers under this vote have been decreasing in recent years.

Mr. MacNICOL: Has the department been making any effort to increase the numbers?

Mr. MACKENZIE (Vancouver): We are doing what we can, within the very limited appropriation we receive every year under this item.

Mr. MacNICOL: Ask for a larger appropriation and increase the numbers.

Mr. MACKENZIE (Vancouver): As was stated by one hon. member recently, this vote in 1928-29 was $500,000, but it has been decreasing, evidently as a result of certain persistent efforts by way of criticism. With all respect to the well known views of my hon. friend the member for Grey-Bruce (Miss Macphail), which were very well expressed in this house in 1927, I personally believe in this work. I think it is a wonderful work for the youth of Canada.

Mr. BENNETT: There is a resolution on this subject passed by the house.

An hon. MEMBER: Increase the grant, and get more.

Mr. COLDWELL: I have been wondering what is the justification for this expenditure. As one who has had considerable experience in charge of institutions where this particular work is being done, I believe that it is one of the most wasteful expenditures the dominion is making at the present time. As a matter of fact, in practically all the provinces and practically all classes of schools, physical training is given on more or less scientific principles, following particularly the Swedish and British systems. The training that cadets get has, it seems to me, very little to commend it. It is entirely, shall I say, supplementary, and is not regarded in some quarters as anything but a method of obtaining a grant from the federal government. Of course an effort is made on the day that an inspection is held to parade as many boys as possible, and to give them, shortly before, a certain amount of military training. But in my opinion the boys and girls who are receiving physical training apart altogether from military training are more thoroughly trained physically than could possibly be done through cadet drill. If the justification of this work is that you are training boys to participate in war on some future occasion that of course is a point of view which one can understand, but so frequently we are told the justification is that it helps the youth of the country to develop physique. As a matter of fact it does nothing of the kind. Physical training can be well looked after under the system in vogue in most provinces and in most schools, apart altogether from military drill. I would also point out that the poorest possible kind of physical drill is the military drill. It is not balanced. About all it requires is a blind and unreasoning obedience to orders which are given in rather a crisp and curt manner. In my opinion this does not tend to breed in an individual initiative and self-reliance; I think it does exactly the opposite.

There is another feature that I should like to draw to the attention of the house. In certain places military drill or cadet drill is made more or less compulsory. Boys whose parents are opposed to militarism are more or less forced either to take cadet drill or to suffer certain indignities. If I may recount my own experience, I have a son who has just attained his majority. He has never taken military drill; I have always objected to it. Yet in one of the collegiates in the city in which I live, that boy day after day was taken into the basement when the drill was being held and compelled to sit on the form and watch the other boys. In an institution of which I was the head a few years ago definite instructions were given to me that I was not to excuse boys from military drill unless they were physically unfit to take part in any form of drill. I may say that I personally challenged that ruling; my views were upheld by the Saskatchewan Department of Education, and the order was nullified. Nevertheless pressure is placed upon boys to take this cadet drill. In my opinion the grant that we are making for this purpose might be placed somewhere else in the estimates. If it is looked upon as being necessary for the development of our youth it could be utilized much more beneficially in the encouragement of other forms of physical exercise that are non-military and better balanced, and in the promotion of good sportsmanship in the playing fields of our schools, where, after all, the best kind of sportsmanship is developed.

Mr. BAKER: All I desire to say is that in my humble opinion this grant of $150,000 is worth two or three times what it costs in encouraging a spirit of loyalty to king and country in the hearts of our youth.

Mr. BETTS: I cannot help being impressed with the remarks of the hon. member for Rosetown-Biggar, particularly having regard to the fact that as recently as October 14 he caused his name to be placed on the ballot paper as Major James William Coldwell.

Mr. COLDWELL: I rise to a point of order. I should like to correct that statement; I did nothing of the kind. As a matter of fact, owing to my parents seeing fit to give me an unusual first name it appeared on the ballot paper in that way. When that name was given me I was too young to make an effective protest.

Mr. BETTS: I stand corrected. I have in my hand the official list of candidates, and there I find the name "Major." It strikes me that the hon. member for Rosetown-Biggar might have been well advised to steer clear of that unfortunate mistake, because I have not the least doubt that it won him very many votes. Speaking in my own behalf, and remembering the words of my hon. friend as to crisp and curt pronouncements, I have had the pleasure of listening to many crisp and very curt pronouncements by the hon. member, and I have admired them. I felt that the discipline, both mental and physical, which can be inculcated in no way as well as by military training, must have been enjoyed by the hon. member. For my own part I should like to say that I think this very moderate estimate is more than justified, and I should like to vote in favour of it.

Mr. DOUGLAS: Might I make just one observation in reply to the remarks of the hon. gentleman who just sat down, first with reference to the hon. member for Rosetown-Biggar securing any votes because of his Christian name. It happens that I campaigned in the hon. gentleman's constituency, and I am quite convinced that his people know him to be a confirmed pacifist, so they would not be likely to confuse his Christian name with any military title.

Now I should like to say a word with reference to the value of cadet training. For the past fifteen years I have been connected with boys' work in one form or another. I was a member of the cadet corps and later, for a number of years, a member of the militia. I have had contact with the boy scout movement, and the trail ranger and tuxis movement, as well as with a number of athletic clubs in different parts of western Canada, and if the object of this vote is merely the physical development of the youth of Canada, the encouragement of sportsmanship, loyalty and all those things we like to term Canadian, we could spend the money to much better advantage in a number of boys' movements such as boy scout work or athletic clubs rather than cadet training which, as has been said already, in a great many instances is spasmodic and irregular and often headed by men not altogether trained in the handling of young boys. I think this is simply a waste of money, spent as it is now.



Miss MACPHAIL: Whether or not it is true, it is being said that when teachers in training at the normal schools get their certificates as physical training instructors the certificates are from the Department of National Defence. I should like to know whether or not that is so.

Mr. MACKENZIE (Vancouver): I am informed that is correct.

Miss MACPHAIL: I think it is queer that the certificates should come from that department. Year after year—I really think this is the eleventh or twelfth time—I have argued at length and in detail against military training in schools, and I do not prospose to do so again. I am glad that other people who have come to the house are doing this, so I do not need to. However, I do feel that this $150—

Some hon. MEMBERS: It is $150,000.

Miss MACPHAIL: It might as well be $150, for all the good it does. I think this item should be deleted. I do not think cadet training is good physical training. I think it is poor mental training, and I believe the only kind of discipline that is of any use is self-discipline rather than the kind which comes from commands that are barked out. In looking over the figures a few moments ago I noticed that most of the cadets are being trained in the two central provinces of Ontario and Quebec. This training is not taken very seriously in any other part of Canada. I think there is a feeling throughout the country against this vote and against this method of physical training. I think the hon. member for Weyburn was quite right when he said that if we are to spend $150,000 on what we call physical training it should be spent in some other way. Let us vote it through the departments of education of the provinces and let it be spent for really physical training.

Therefore I move, seconded by the hon. member for Winnipeg North Centre (Mr. Woodsworth) that item 65 be reduced to $1.

Mr. CHURCH: Mr. Chairman, in speaking to this amendment and to the item, because I do not wish to have to make two speeches,

I may say that I have seen this vote for cadet services cut down from $500,000 to $150,000, which means that the government has accepted the policy of the pacifists in and out of this house. Formerly I belonged to a board of education. The last generation in the city from which I come were trained in the cadet movement, and if you look over the reports which I have seen with regard to these cadet services you will find that it is not a military organization any more than the boy scouts or the girl guides. It does help to imbue the cadet with qualities which to-day are necessary for success in life. Look over the gaols and prisons of this country to-day; look at the findings of judges, magistrates and juries throughout this country as to the lack of home training, discipline and training generally for the youth of to-day, and you will see the need for training of this kind. In the old days juvenile courts were never heard of. I do not like to disagree with the most estimable lady member for Grey-Bruce, but I am heartily in accord with this vote. I am sorry to see the board of education in Toronto, composed of pacifists, and everybody there who calls himself a doctor, oppose the cadet movement; the result has been that this movement has been practically abolished in that city, where they spend $11,000,000 or $12,000,000 on education.

What is this movement? We never would have had a militia in this country had it not been for the cadet movement. The history of the militia of Canada is wrapped up with the cadets and the schools. The qualities necessary for success in life are those which the average cadet develops, namely self-control, courtesy, manliness, discipline, love of country. As Pope says, "Worth makes the man." These qualities were fostered by the cadet movement. It was no more military than the show the board of education of Toronto put on last month at the arena, on, I am sorry to say Holy Thursday, a religious day. They dropped the cadet movement; it is now limited to the high schools and after hours; yet they put on a show ten times more military and far more objectionable than anything done under the cadet movement. The ground of the objection to this vote is the principle of pacifism. Militia and defence are necessary. It was the armed strength of the barons that made magna charta possible. The disarmament of the free is the tyrant's chance, now as in the days of King John and as in the case of Ethiopia. If this country wants to abolish the militia altogether the minister's department might as well be closed up. These estimates used to be about two and a half times this amount when I first came to the house. As one who has taken a great deal of interest in education I am absolutely opposed to dropping the cadet movement for some of the fads and frills in the public school system of this country to-day, and Ontario especially, where the cadet movement has been abolished and the board of education and others are shouting pacifism from the housetops.

People are relying upon the League of Nations; the League of Nations is dead and so is Locarno, a mass of ruins. We see the absolute failure of Woodrow Wilson's policy; fifteen years of his open diplomacy has placed our empire in a defenceless state. If the Italian army had come west up the St. Lawrence instead of going south to Ethiopia we should have known the necessity of a proper defence force. Here we are spending four and a half million dollars on the League of Nations, sending a deputation away next week, advisers and advisers to advisers, and all these people over there doing nothing on a joy ride. When the reports are made we never see them, but here hon. members object to a small vote of $150,000 for all the schools of this country from Vancouver to Halifax. The step taken of abolishing the cadets, by the board of education of Toronto is a mistake, a wrong step, and in the juvenile courts all over this country we see the results of the folly involved. I was at the Union station a few days ago and saw twenty-one young people brought back in custody from new Ontario, the district where some hon. members went last weekend. Formerly these young people would have been cadets, but this cadet work has been cut out during the last three or four years with the result that they have not had this training. Some of their parents are on relief; the boys did not want to hang round the house, so they went north to new Ontario to try to find jobs. Unable to get jobs they are cast into gaol as vagrants.

Two or three years ago they substituted for the cadets at the empire day exercises, what? They brought little children, six, seven and eight years of age, to the exhibition grounds; some of them had to walk and ride several miles. They were brought there to a dusty track and left there for hours, instead of having a proper cadet service in the schools and on the property to look after them. From what I have seen of this cadet movement it is not in any sense a military movement, but it teaches the qualities which I have named. I hope it will be restored; it will have to be if we are to have any better

discipline in the land. To-day there is not the discipline such as there was when you, Mr. Chairman, and I went to school. To-day the militia vote is so cut, that about all we have left to defend us, if the enemy came to our gates, is the girl guides and the boy scouts. I cannot understand what objection there is to this vote. It is so little, I do not think the city of Toronto gets anything from it, although it contributes over $80,000,000 to the revenue of this country. I do not see the hon. member for Parkdale (Mr. Spence) here; he was here a few minutes ago. He was one of the founders of the splendid Irish regiment and he knows how cadet training helps the initiative. The Irish race know what discipline is. They used to have a cadet corps in his unit; I do not think they have it now, but I know that if cadet services were restored we would have a lot more discipline than we have to-day.

One has just to read the reports of inspectors of the penal institutions of this country to see the need for this training. I had before me the reports in connection with another bill. If you cut out the cadet services altogether you destroy one of the best agencies for the inculcation, in the young people attending school, of the qualities I have named, qualities which are proper and necessary for success in life to-day as they were in the last generation. This matter has been discussed by the Ontario educational association, and many are thinking that we should get back to the old system, instead of substituting for it dances, physical exercises, acrobatic events, and so forth. I am not opposed to those things; they are proper under modern conditions, but they have taken forms which are far more military than were the cadet activities.

I hope the minister will next year have the opinions of various school boards and boards of education throughout the country, and will have cadet services restored. Then the militia will have a chance. This will be an economy in the long run, because there is no doubt that the average cadet went into the militia. The back-bone of the regiments in Toronto was a cadet movement in our city schools. The hon. member for Eglinton (Mr. Baker) was a cadet, and wore a uniform. He can tell us about the advantages of the cadet movement that has been abolished in public and high schools. I know many high school teachers in the city of Toronto. I was on the school board for some years, and I have learned of no agency which has contributed more to athletic and other developments than has the old system of cadet training which has been in operation for the last generation.

[Mr. Church.]

Mr. BAKER: I do not wish to add to the remarks of the hon. member for Broadview, who has immediately preceded me, but if I were moving an amendment—and I shall not do so, because I know it would be lost—I would move not to reduce the amount to one dollar but to double it to $300,000.

Mrs. BLACK: It is not my intention to say very much, but I must say that many speakers this evening have not spoken from practical experience. I speak from experience, because I have raised three boys to manhood. They have taken their places in the world as good, decent, law-abiding, middle-class citizens, the best class we have. Each of those boys had semi-military training and I attribute the fact that my boys have done comfortably well in the world to the fact that they were given semi-military training and discipline. With the cadet movement not only did they obtain military training, but they had manual training and development of the muscles of their bodies. They were brought up to respect their elders and to obey promptly and quickly when they were spoken to, far more so, I believe, than the boys and girls of to-day who do not have the opportunity of that training.

If I were to move an amendment I would not only double, but treble the vote. The future of Canada depends upon the boys and girls of to-day and those boys and girls, the men and women of the future, will be only what we make them, with the discipline which we can enforce.

Mr. MITCHELL: Does this vote include public and high school cadets only, or does it also include the Canadian officers training corps in the universities?

Mr. MACKENZIE (Vancouver): It does not include the officers training corps.

Mr. MITCHELL: Is there a separate vote for the Canadian officers training corps?

Mr. MACKENZIE (Vancouver): They come under the general training vote.

Mr. MacNEIL: I support the amendment, because from my experience I have learned that the expenditure of public money under the present method of cadet training is of no practical value. I have had experience in cadet corps, and have had an opportunity of comparing the results of cadet training with those of a proper system of physical training under other institutions. I have found that the results achieved under an up to date method of physical training are much greater. When one considers the problem from the

standpoint of national defence, he must conclude that physical training makes a greater contribution towards effective defence.

Time and again eminent military authorities have said that above all other considerations it is necessary to establish the correct physical training and development of our youth. I am not advancing my own opinions on this occasion, because the subject has been discussed by various organizations interested in educational problems. I refer to home and school federations, clubs and the like. There is a great body of opinion firmly opposed to cadet training, after careful observation of the results achieved.

I also refer to the opinion expressed by organized ex-service men. I had occasion to attend a conference of ex-service men, a representative body on the lower mainland of British Columbia. In that body were former officers, as well as men from the ranks. They examined the problem carefully and declared themselves as being opposed to cadet training because it has no practical value. They saw the boys under the command of instructors on the school grounds; they saw them controlled by antiquated drill methods, achieving no information of value in regard to military training, and certainly no training conductive to the true spirit of discipline, but rather the old spirit of discipline which tends to rob the young man of initiative and resourcefulness. Above all they saw that no definite effort was being made to develop these young men physically. The handling of a rifle or the obedience to words of command issued by a drill instructor trained in old methods has no definite value from the standpoint of physical training.

Those who have kept abreast of the requirements of military training to-day will realize that the methods employed are inadequate, and by no stretch of the imagination could it be said that these young men are being properly prepared for any military eventuality. Rather the spirit of the organization of cadet training is to place before them an entirely false ideal of militarism, something which constitutes a definite appeal to their vanity and is unsound in its very conception.

I suggest that at this time, when the country is confronted with such grave problems of youth, it is quite unnecessary to vote even $150,000 for cadet purposes. Rather I would suggest that, in so far as they are available, the moneys should be spent along educational and physical lines, which would more effectively cope with the serious problems of our times.



Mr. JACOBS: Was I correct when I understood the minister to say that of the cadet strength under authority of the federal power, about 50,000 of a total of 80,000 come from the province of Quebec?

Mr. MACKENZIE (Vancouver): There are 49,216 out of a total of 82,373.

Mr. BENNETT: I rise only to correct an evident misapprehension. The reduction of the vote came about because school districts with which the department had commitments declared that they did not wish to continue cadet training, and as a result of that we reduced the amount from time to time. It must be recalled that in the first instance there was a general statement of policy. The statement was that the government would supply a certain sum of money to take care of cadet training in school districts or other areas in which such training was considered desirable. The agitation against cadet training succeeded in having resolutions passed by several school boards discontinuing the training. I recall one or two occasions very vividly, but I cannot carry them all in my mind. As a result the vote was reduced. If my memory serves me correctly some commitments are still outstanding in those districts in which they have continued to earn the money to which they are entitled under arrangements made with them in days gone by. The minister will be able to correct me with respect to that. I do not know just what is involved in dollars and cents, but the reduction came about because hon. members to my left had more or less succeeded in their agitation to have districts abandon cadet training. For instance, I recall one district that used to have a keen interest in the cadet movement, but in response to the evident desire of the community the board concluded to abandon it, thereby releasing this government from making any payment in the final analysis, when the then existing arrangement terminated. Cadet training is no longer being carried on in that community, and the federal government does not make any contribution to it.

It will be recalled that this house was provided with evidence from some of the provinces to the effect that cadet training was being reduced, because it must be recalled that in connection with cadet training the schools and others responsible for its promotion are largely under provincial control. We supplement their efforts, and now that they no longer desire the corps a diminution of the grant has resulted.

No doubt there are hon. members in the committee who recall discussions which took place in days gone by, and circumstances which brought about a reduction of the vote. The hon. member from Toronto who seemed to think the reduction was a voluntary act on the part of the government of the day is quite mistaken in his view. It was brought about by an expression of public opinion in communities which were opposed to the continuance of the grants. To the extent to which that was effective, the grant was reduced, although I think reduction was made further than even that would warrant. I take it that the sum of $150,000 is necessary to meet the commitments to which we are committed. I am not speaking now with authority, but I think that must be so.

Mr. MACKENZIE (Vancouver): That is correct.

Mr. BENNETT: And as long as the organizations which I have mentioned continue to earn the grant, I think in view of the general declaration of policy that originated it we should continue to provide the money as we are doing here.

Miss MACPHAIL: I should like to ask the minister what explanation he has to offer for the very large number from Quebec, 49,000 out of a total of 82,000?

Mr. LAPOINTE (Quebec East): May I reply for my colleague? I think it shows most conclusively that this is not a military institution.

Mr. JACOBS: We are not war-conscious in Quebec.

Mr. LAPOINTE (Quebec East): After the debates in this house years ago, in which my hon. friend had almost convinced me, as she does every time she speaks, I met a personal friend of mine who is a member of the council of a very large educational institution in the province of Quebec, where they have a large number of cadets in training, and I asked him why they were strong for it. He said, "Because we have come to the conclusion that it is the best possible method of recreation, sport and physical training at the same time." Cadet training is very popular in all the educational institutions in the province of Quebec, and I can assure my hon. friend that if it were really in the nature of a military organization, as it is sometimes described in the house, some of the institutions I know would have quit cadet training long ago.

[Mr. Bennett.]

Mr. LAWSON: Mr. Chairman, though I have remained silent through several sessions when this question has been up for discussion, the apparent widening support for the cessation of cadet training in this country makes it incumbent upon me to express my views. The hon. member for Rosetown-Biggar (Mr. Coldwell) has pointed out to the committee, if I interpreted him correctly, that cadet training produces nothing but a blind and unreasoning obedience and is stultifying to the intellect of the youth of Canada. I would suggest to the hon. member that if he would like to see a demonstration he should go and watch a cadet corps drill in any industrial school or in any institution in this country where boys of feeble mind are put, and then go to one of the schools where there is a cadet corps of normal boys. I am confident that the difference in their behaviour, in their snappiness and esprit de corps, will convince the hon. gentleman that his conclusion is not well founded.

Miss MACPHAIL: Would he not know that without seeing their military training?

Mr. LAWSON: He might not have known it in view of his statement that military training merely produces a blind and unreasoning obedience. I suggest that it takes intelligence and ability and a rapid communication between the mind and the muscles through the sensory nerves to make a well drilled and snappy cadet corps.

I do not support cadet training because of any aspect of physical training. To me that is a mere incident. I put it upon much higher ground. In my opinion every Canadian citizen owes a duty at all times to serve the state in any capacity in which he reasonably can, and in times of war every Canadian citizen in my judgment owes a duty to the state to bear arms, if necessary, in its defence if he is physically able to do so. If that premise is sound, then I ask: Why not train our youth so that in case of necessity for defence they are efficiently and adequately equipped to render the best possible service to this country? No one desires more than I to avoid war, but I could not help admiring the sentiment which I heard expressed just last Sunday. I happened to be standing watching the garrison parade in the city of Toronto. Next to me was standing a mother, and as her boy went by in a cadet corps in the garrison parade she was affected, and her eyes filled with tears. I passed a remark that it was regrettable that in this world to-day we have nations which were apparently seeking to create war, and that this boy who was being well and efficiently trained might

have to serve the country. Her reply was, "How much better I would feel to have him serve than to have him a coward and not be willing to go." I am not expressing a maudlin sentiment; I am expressing a sentiment that, I think, should permeate the heart of every Canadian citizen. I have the greatest respect for those hon. members and any others who may hold views that we should not have military training, be it in the form of a cadet corps or a volunteer militia, but so far as I am concerned my only regret is that, if $150,000 is not sufficient to train every boy in this country who wants to be a cadet, we are not voting more money for that purpose. I have never been able to see where training a boy to bear arms, if necessary, makes him belligerent or warlike. I sincerely trust that there will not be reductions in this grant. Having regard to our recent experiences as to how ineffective a nation or a group of nations may be in preventing war unless they are prepared to back up their reasonable requests, it does seem to me that the best thing Canada can do is to have as many boys and men as possible trained in military manœuvres and to bear arms, if necessary.

Miss MACPHAIL: I would ask the Minister of Justice if the uniforms used by the cadet corps in Quebec are the same as those used in other parts of Canada, or is there a distinct uinform for that province?

Mr. LAPOINTE (Quebec East): I do not think there is any uniformity throughout Canada as to what uniform the cadets shall wear. The individual schools themselves select the uniforms.

Miss MACPHAIL: Is that true of all Canada?

Mr. MACKENZIE (Vancouver): Yes.

Miss MACPHAIL: Does the Minister of Justice not think that the payment of instructors has something to do with the demand for cadet training? The minister will tell us whether it is fifty cents a day up to a dollar or over, or the other way round.

Mr. LAPOINTE (Quebec East): I am afraid that when it comes to financial questions I cannot secure the information for my hon. friend.

Mr. WOODSWORTH: Just a word in response to the hon. member for York South (Mr. Lawson). Recently I read some extracts from a speech which was made by the Right Hon. Arthur Meighen in Washington on November 10. I do not want for a moment to have the house committee understand that Mr. Meighen's opinions are the same as my own or those we are advocating, but here are a few extracts from his speech that stood out in my mind at that time. He said:

> Civilization must end war or war will end civilization.

Again:

> War has lost its efficacy, it can bring only defeat and despair for both conquered and conquerors.

Again:

> The policy of the governments is dominated by fear.

And once again:

> There has to be found a substitute for armaments, something else that will bring security not only to one but to all.

It is considerations of that kind that make some of us speak against war. The hon. member for York South suggested that every citizen should be able to bear arms in defence of his country. Some of us believe that the method of defending one's country by means of arms is to-day useless.

An hon. MEMBER: I do not know of any other way of defending it.

Mr. WOODSWORTH: Perhaps later on in this discussion some of us will refer to that way. At any rate, the hon. gentleman must credit us with sincerity even if he does not think we have much intelligence.

Mr. LAWSON: On a point of order, there was nothing I said from which the hon. gentleman could draw the inference that I attributed to him or to anyone else insincerity or lack of intelligence. I specifically said that I had great respect for their opinion.

Mr. JACOBS: Both hon. gentlemen are out of order.

Mr. WOODSWORTH: I am glad indeed that the hon. gentleman does credit us with intelligence and sincerity.

Mr. STREIGHT: He didn't do that.

Mr. WOODSWORTH: Well, I credit the hon. member for York South with sincerity—

An hon. MEMBER: If not intelligence.

Mr. WOODSWORTH: His idea is that war is still the accepted and in the long run the final way of settling international disputes and that it is the effective way. We do not agree with that; we believe that there is another way. We think that if we are to depend upon war—

Some hon. MEMBERS: Order.

Mr. WOODSWORTH: What is the trouble with hon. gentlemen opposite?

Mr. JACOBS: We are discussing item 65.

Mr. WOODSWORTH: I believe it was understood there was to be a vote and hon. gentlemen flocked in and are disappointed because they think I am going to make a speech. I am not going to make a speech but I want to make one or two remarks. I would reaffirm that the reason we are opposed to war is that we believe it is ineffective. It would be disastrous to our country. And the reason we are opposed to these estimates is that we believe they are absolutely wasteful expenditures and valueless to effect the purpose they have in view, namely, the defence of Canada. I shall speak of that later in the evening or later in the discussion of these estimates. The suggestion is made by the hon. member for York South that every citizen if he were really a good one, should be prepared to bear arms. Some of us do not regard that as the only mark of good citizenship.

Mr. LAWSON: I did not say that or anything like it.

Mr. WOODSWORTH: Some of us believe that citizenship may be exhibited in a better way than that. Again, the hon. member for York South, referring to an old mother watching a parade—

Mr. LAWSON: I did not say old.

Mr. WOODSWORTH: Well, a mother watching a parade. She said that she would rather have her son serve than have him a coward, not being willing to go.

An hon. MEMBER: Hear, hear.

Mr. WOODSWORTH: Somebody says, "hear, hear." Well, it was the implication contained in that statement that I want to speak of. I resent it. The alternative to being willing to go to the front seems to be that one should appear to be a coward. I do not think that is the alternative at all. Other members have risen in their places and spoken about what their boys owe to military training. I have every reason to congratulate them upon their pride in their children, but some of us who have families have refused to allow our boys to take cadet training, and we do not think that they are inferior, I will not say to the sons of those who have spoken, but to other boys in the community. Surely we should be able to get through a debate of this kind without putting alternatives that are not true. I resent, and a great many people across the country resent, the idea that if a man does not want to go and fight he is necessarily a coward. I should hate to be a coward, but if another war broke out I should hope that not one of my boys would go to fight—and I do not want them to be cowards. I believe they may serve their country in better ways than by going, as a great many went, in my judgment unfortunately, to the battlefields of Europe, where they perished. I do not for one moment deny their heroism; I do not deny their idealism; I think it was magnificent. But I say that there may be heroism and idealism along another line which personally I think is more intelligent.



Mr. MacINNIS: What is the area comprised in military district No. 11?

Mr. MACKENZIE (Vancouver): The entire province of British Columbia, except, for the purposes of unemployment relief camps, the southern portion, which is under district No. 13, the Kootenay district.

Mr. MacINNIS: Upon what basis are cadet instructors paid?

Mr. MACKENZIE (Vancouver): They are paid $1 per senior cadet, a senior cadet being between fifteen and eighteen, up to a maximum of fifty-five thousand.

Mr. MacINNIS: The amount of money paid to instructors in military district No. 11 was only $614.45. Upon that basis there are approximately six hundred cadets or so, or more if there is a different rate for juniors. To whom is this money paid? For British Columbia it is $6,207.55. Who receives that?

Mr. MACKENZIE (Vancouver): Perhaps I had better read the list: Pay and allowances of the permanent force officers employed on cadet services, $6,675; pay and allowances, permanent active militia, instructors, employed on physical training, $51,000; corps instructors, instructing cadets, $55,000; in connection with qualified signallers, $2,700; pay of two civilian stenographers, $2,500; stores, equipment and supplies, purchase of No. 22 ammunition, $11,500; printing and stationery, $1,000; transport and travelling, general staff officers, $8,000; permanent force instructors in physical drill and cadet duties, $7,500; military members, executive council of the Strathcona Trust, $450; freight and cartage $1,500; grants to the Dominion of Canada Rifle Association, $500; telephone exchange service, $225; incidental expenses, including contingent allowances, $1,450; making a total of $150,000.

Mr. MacINNIS: Who are the individuals here who received: A. Bain, $2,080,50; W. Frost, $1,973.55; J. D. S. Wallace, $2,153.50? What functions did they perform for that monthly allowance?

Mr. MACKENZIE (Vancouver): I assume they were instructors, and the amounts represent annual pay and allowances.

Mr. MacINNIS: No; in another item instructors' allowance is shown as $614.45. Is that a different item, or what did the instructors receive?

Mr. BENNETT: The first two are regular instructors, and the others special ones.

Mr. MACKENZIE (Vancouver): Yes; they are regular instructors. There are others.

Mr. BENNETT: Where they do not pay them regular salaries.

Amendment (Miss Macphail) negatived: yeas, 8; nays, 109.

Item agreed to.

Contingencies, $28,800.

Mr. MacNEIL: Would the minister indicate just what this item provides for?

Mr. MACKENZIE (Vancouver): Telegrams, telephone calls, advertising and postage and other items for militia services, national defence headquarters, a decrease of $2,700 as compared with last year's vote.

Mr. MacNEIL: I notice in the auditor general's report dealing with this vote that provision is made for an expenditure on advertising. Will the minister explain what advertising is done by the Department of National Defence?

Mr. MACKENZIE (Vancouver): As I am informed, it is mostly to warn the public with respect to firing practice taking place on any of the training grounds, and also, occasionally, for tenders and other unforeseen advertisements.

Mr. MacNEIL: In what respect is money spent for examination fees, as is indicated in the auditor general's report?

Mr. MACKENZIE (Vancouver): I am not aware of anything of the kind, unless it may be for the examination, in some cases, of recruits.

Mr. MacNEIL: There are examination fees shown in the auditor general's report under the heading of contingencies. I wonder what examinations are set by the department.

Mr. MACKENZIE (Vancouver): I will find out. I have not that in my hand at the moment.

Mr. BENNETT: Who pays for the Military Gazette? I should know but I do not. Do we make any contribution? What is our relation to it?

Mr. MACKENZIE (Vancouver): My information at the moment is that we make no contribution, but I shall look into it.

Mr. BENNETT: It is said to be the organ of the militia forces of Canada.

Item agreed to.

Engineer services and works, $676,100.

Mr. DOUGLAS: Will the minister explain this?

Mr. MACKENZIE (Vancouver): The various items are: Repairs and upkeep of departmental properties, including minor construction, $500,100; new construction of barracks buildings and works, $165,000; new construction of rifle ranges and camp sites, $11,000; total, $676,100. There is a net decrease of $24,050 from last year's vote.

Item agreed to.

General stores, $1,838,400.

Mr. MacNEIL: Will the minister explain the reason for the substantial increase in this vote?

Mr. MACKENZIE (Vancouver): I will give the details: Clothing and necessaries, an increase of $19,325; miscellaneous stores, an increase of $52,050; artillery stores, an increase of $464,270; medical stores, an increase of $800; veterinary stores, an increase of $1,500; inspection stores and ammunition, increased by $4,400; dominion arsenal, increased by $23,257; a total increase of $565,731 and a decrease of $178,414, making a net increase of $387,317.

Mr. MacNEIL: What is the explanation of the situation at Lindsay? I understand that considerable sums are devoted to the upkeep of the arsenal at Lindsay, although the arsenal is practically closed down.

Mr. MACKENZIE (Vancouver): The reason, I understand, is that it is used as a storehouse for stores and equipment. There are four caretakers, I am informed, looking after the security of the stores.

Mr. MacNEIL: In connection with stores, what is the policy with regard to making war equipment available to civilian units? I notice from one of the sessional papers tabled this session by the minister that a general

order has been issued authorizing the district officers commanding to loan equipment to the Royal Canadian Mounted Police, the provincial police, and the city police. I should like to know to what extent that practice is carried out. It strikes me, as one having some practical experience, that it is a practice which should be deplored, something which should be condemned most vigorously. Evidently the order has been passed in anticipation of some civil disturbance or disorder, and I know of no more vicious practice than to turn over deadly war equipment to men who are not trained in the use of that equipment, for possible use at a time when only those who are cool-headed and calm should have in their hands death-dealing instruments. I think that matter should be fully explained by the minister, and an assurance given to the people of Canada that in the event of any disturbance some panicky individual shall not have the power to place in the hands of raw and untrained men rifles, machine guns, bombs and similar equipment which will do deadly damage to crowds.

Mr. STIRLING: Mr. Chairman, may I ask through you whether the hon. member has any evidence that such has been done?

Mr. MacNEIL: I am referring to the general orders which were tabled this session by the Minister of National Defence.

Mr. STIRLING: But the hon. member has no knowledge on his own account that this has been done, that lethal weapons have been put into the hands of those unfit to operate them?

Mr. MacNEIL: I am not suggesting that at this time I am producing any evidence. I am pointing to the general order tabled in this house, indicating that authority has been granted for the issue of weapons to untrained civic police.

Mr. MACKENZIE (Vancouver): I think my hon. friend has misconstrued what happened. I do not think this is the first occasion on which such action has been taken, and certainly there is no intention whatever of any indiscriminate issue of arms to untrained police forces or otherwise. I can assure my hon. friend that any arms issued to people other than the forces of national defence would be very carefully scrutinized. These will be issued and have been issued only where the request has been made, and only to people who are thoroughly trained, so I do not think the hon. gentleman need anticipate any indiscriminate use of these weapons. Certainly I would not encourage that in the slightest.

[Mr. MacNeil.]

Mr. MacNEIL: I am referring to general order No. 86 which is contained in sessional paper 55, under which the district officer commanding is authorized to issue arms and ammunition to the Royal Canadian Mounted Police, provincial police and municipal police to deal with civil disturbances. What assurance have we that if civil disturbances arise arms will not be issued indiscriminately?

Mr. MACKENZIE (Vancouver): I think the hon. gentleman can leave that to the discretion of the gentlemen responsible for maintaining law and order in the various provinces. I can assure my hon. friend that there will be no indiscriminate use of such arms or ammunition, but if any disorder should arise it is the duty not only of the forces of defence but of the mounted police and all other police forces to maintain law and order, and I am sure that is the only significance of the general order to which my hon. friend refers. I can assure him that there is no sinister motive at all. It is only to give the necessary discretion and authority to the district officer commanding in case any emergency might arise to issue these arms to what practically amount to trained troops.

Mr. MacNEIL: May I ask if, under this authority, the district officer commanding may issue machine guns to the city police at any point?

Mr. MACKENZIE (Vancouver): I can assure my hon. friend that there is nothing new in this order; the same thing has been done many times previously.

Mr. MacNEIL: Will the minister confirm or deny the rumour in circulation in the city of Vancouver at the time of the relief strike riots that militia units were standing to, anticipating serious disorder, and that field guns, machine guns and all that sort of thing were being made available by the military authorities during that crisis?

Mr. BENNETT: It is not fair to ask the minister that, for he was not responsible. The government which was responsible pointed out that if the province requested the use of the militia, then under the statute it was the duty of the dominion to make them available, and they would be available equipped in every way that might be necessary for the purpose mentioned by the statute.

Mr. COLDWELL: I was just going to say that I am inclined to agree with the hon. member for Vancouver North in regard to the danger of placing weapons, under any cir-

cumstances, in the hands of people who are not trained in their use. Only to-night I was reading the report of the royal commission which inquired into the relief riots in Regina last July 1, and apparently to a very large extent that regrettable incident was due not to the issuing of lethal weapons to certain people but to a mistake in connection with the blowing of a whistle. In that case someone had a whistle and apparently misused it or the signals were misunderstood, and in a few moments pandemonium ensued. So it will be seen how easy it is, in the midst of excitement, for someone to commit some overt act, and weapons in the hands of municipal police, for example, who are not particularly trained in their use, may become a danger to the community.

Mr. BENNETT: With respect to that matter it will be recalled that the commissioners found that it was subsequently, when the strikers moved off to another part of the community, that the disaster occurred to which attention has been directed. But it must not be forgotten that when the riot act is read certain consequences follow, and if the police of the country cannot be regarded as sufficiently trained to receive weapons why do they carry them around the cities every day? I do not know why, but they do. Policemen in the cities and everywhere are armed at night. To say that they are the only people who should receive these arms would be, in my judgment, to make the discretion one based upon sound intelligence, shall I say, for the district officer commanding can only supply weapons to (a) mounted police, (b) provincial police and (c) city police, all of whom are by law permitted to and do in fact carry arms.

Mr. COLDWELL: Some misunderstanding may arise with regard to the remarks of the right hon. leader of the opposition, particularly in connection with his reference to the reading of the riot act. That was one of the unfortunate features of the whole Regina situation on that occasion. I do not know whether the government is aware of this fact, but the riot act was never read and the warning was never given. I am not placing blame upon anyone, but I just want to make it clear that in that instance the riot act was not read and no warning was given.

Mr. BENNETT: That was not the point. The point was that the strikers had dispersed from their immediate location and moved to another place. The commissioners say that whatever justification may have existed in the first instance because of the misunderstanding of the whistle blasts, there can be no justification for what took place afterwards. They make that perfectly clear, and they say that at the pavilion which the strikers had abandoned there were found the staffs which apparently they had intended to use for the purpose of bashing the heads of those who might be endeavouring to enforce law and order. The question of the riot act being read did not arise at all, because these officers had warrants for the arrest of named people, and it was in the execution of that duty that the incident happened. A mistake by some policemen regarding a whistle brought about some measure of confusion, but the commission said that whatever might have been the confusion at this point there was no justification for what happened over at the other point when an attack was made upon the police by those who were subsequently found to be responsible for what took place.

Mr. COLDWELL: I did not rise to precipitate a debate on this subject this evening, particularly since I have no doubt that very few members of the house have had an opportunity of reading the report of the commission, so I do not think it would be fair to discuss the matter under this item, nor would it be in order to do so. But I should like to point out that in this instance the riot act was not read, and I think the right hon. leader of the opposition has either misread the report or has been misinformed regarding several matters in connection with it. When the proper time comes perhaps we can discuss this matter in more detail.

Mr. DOUGLAS: I do not propose to discuss the matter raised by the right hon. leader of the opposition—

Mr. BENNETT: I did not raise it. It was raised by the hon. member for Rosetown-Biggar.

Mr. DOUGLAS: Quite so; I meant the statement made by the right hon. gentleman. This is not the time or place to discuss the matter, but I do not think his remarks should be allowed to pass without its being said that the police were not attacked by the men. The place where the clubs were found was a long distance away from where the riot took place. I think this whole question is one to which the house ought to give some attention at the proper time, but the statement of the right hon. gentleman was misleading and, therefore, ought not to be left unchallenged at this time.

Mr. BENNETT: It speaks for itself.

Mr. MacNEIL: On this point I notice in the general orders tabled by the minister that rifle associations are being formed and that the men who join these rifle associations must

subject themselves to military discipline at times of civil disturbance or when any emergency may arise. May I ask in what way these rifle associations are equipped and to what extent the members are warned that in time of emergency they may be called upon to perform military duty under the direction of the officer commanding?

Mr. MACKENZIE (Vancouver): No new civilian rifle associations have been formed. The only new rifle associations are those attached to existing militia units, regimental associations. If there was an emergency and they happened to be called out they would not be called out by reason of their membership in any rifle association; it would be with their units, if such a regrettable thing took place. So there is no significance whatever in the formation of new rifle associations; it is purely in connection with the militia activities.

Item agreed to.

Non-permanent active militia, $2,358,100.

Mr. BENNETT: Does that provide for camps this year?

Mr. MACKENZIE (Vancouver): That is the ordinary vote of the non-permanent active militia. It could be broken down into:

Training, $1,588,800.
Grants to associations, $94,200.
Operational expenses of military properties, $252,844.
Salaries and wages, $422,256.

Mr. BENNETT: What about camps this year? What provision is made for them?

Mr. MACKENZIE (Vancouver): That comes under the first item I mentioned, training.

Mr. LANDERYOU: How many men are there in the militia?

Mr. MACKENZIE (Vancouver): There were 6,888 officers, and 41,873 men, totalling 48,761.

Mr. BENNETT: At what date?

Mr. MACKENZIE (Vancouver): That is as of December 31, 1935.

Mr. DOUGLAS: How does that figure compare with last year?

Mr. MACKENZIE (Vancouver): That is at the end of last year. I think there was a slight reduction, about 1,900 during the year.

Mr. LANDERYOU: Is this sum to pay them a wage?

Mr. MACKENZIE (Vancouver): No; there are training allowances for these summer camps.

[Mr. MacNeil.]

Mr. DOUGLAS: In comparison with the previous year I was wondering whether the number of men is smaller and if that accounts for the decrease.

Mr. MACKENZIE (Vancouver): I am informed that there is a reduction of between 1,900 and 2,000.

Mr. BENNETT: How many days' training in camps is provided for?

Mr. MACKENZIE (Vancouver): It depends upon the arm of the service. Artillery total twelve; engineers, twelve; machine gun battalions, twelve; cavalry and infantry, ten; army service corps and army medical corps, ten, and so on. These totals include part time in camp and part time training at local headquarters. There is a certain discretion left to the district officers commanding.

Mr. MacNEIL: I have in mind the frequent admonitions by the Minister of Finance that parliament must exercise the strictest economy; yet on the main estimates the total to be appropriated for the Department of National Defence, including the cost of buildings provided for under other headings, is something like $19,000,000. That does not include the items in the supplementary estimates. This is probably the third highest sum in the departmental expenditures. There is an increase in this year's expenditure in the main estimates of something like $1,779,000—

Mr. MACKENZIE (Vancouver): It is $1,775,000.

Mr. MacNEIL: I accept the correction gladly. I think it is high time we did some plain speaking about the manner in which public money is expended by the Department of National Defence, having in mind particularly the purpose of this expenditure as outlined by the minister. It is not many years ago since certain high officers attached to the British war office recommended drastic reorganization of the Canadian Department of National Defence. As far as I have been able to discover no steps have been taken to undertake such reorganization.

Mr. MACKENZIE (Vancouver): My hon. friend is scarcely correct in that. It is in process of being effected at the present time.

Mr. MacNEIL: Under whose recommendation is the reorganization being undertaken?

Mr. MACKENZIE (Vancouver): The reorganization of the militia has been under consideration for a number of years. The request for the reorganization became definite in 1932; it was submitted to a subcommittee

of the former government in 1933, because Canada at that time was making certain representations to the disarmament conference in Europe, and the suggestion was made that the strength of our militia forces should be reduced from the post-war figure of eleven infantry and four cavalry divisions to a composite strength of six infantry divisions and one cavalry. That recommendation has been endorsed by all the militia organizations, the defence association, the Canadian infantry association, the artillery association and, I think, every arm of the service, all these voluntary officers, men who have been giving such wonderful service to the militia of Canada. So far the full strength of what is known as the peace establishment has been reduced from a personnel of 135,000 to about 90,000. The actual strength of the non-permanent active militia is 48,761 as already stated. So far not very much has actually been accomplished along this line, but certain small units have been joined together and reorganization effected. The general policy will be to proceed with reorganization as soon as practicable.

Mr. MacNEIL: Nevertheless in these times of stress we are asked to vote this enormous sum, without any definite assurance that the purpose for which the expenditure is being made will be fully carried out. We have a headquarters staff here, some seventeen staff officers receiving salaries in excess of $96,000 in the aggregate. We have a number of military districts, each taking large sums of money for their upkeep. We have across Canada something like forty-four units of the non-permanent militia, some 5,643 officers for 36,368 men. According to the last report of the late Sir Arthur Currie with regard to the war establishments, in 1918 there was one officer for every twenty-four men. In the present Canadian establishment we have one officer for every seven men, and for the period of training in camp one officer for every five men. That, I think, has created the general impression in this country that much of this expenditure is devoted merely to the upkeep of a small military aristocracy, and it is difficult to discover what useful purposes they serve, either in providing defence measures for Canada or in making proper preparation for the future. I suggest that the time has come for drastic reorganization of this branch, and that we are not justified at this time in voting the expenditure suggested.

For that reason I move an amendment, seconded by Mr. Taylor (Nanaimo) as follows:

That vote No. 69 for the non-permanent active militia be reduced by the sum of $1,000,000.

Mr. MACKENZIE (Vancouver): I have only one word to say. Probably my hon. friend was not aware that this vote was reduced from last year. I informed him of the reduction effected. I think the committee should not accept his statement that these militia officers constitute a military aristocracy. I know no finer body of men in Canada than these who throughout the year give up four or five nights a week of their leisure and personal pleasure to training the youth of the dominion. There is no suggestion of a military aristocracy about these men. My hon. friend may be confusing the men who have made this their life work with those who are making this permanent contribution to the training of Canadian youth. Some of our unemployed in Winnipeg and Vancouver are among the finest boys we have in the militia. The boys in relief camps joined the militia, took drill and did wonderful service, and I say that is not constituting a military aristocracy or autocracy. They were Canadians binding themselves together in a proper way. There is another thing I want to tell the hon. member, and it is that year after year these militia officers have made contributions to help the men in training camps, because the allowance in the vote by parliament is entirely inadequate for effective training of a militia force for Canada.

Mr. CHURCH: I want to say a word or two about No. 2 military district. I am surprised at the mover of the resolution, because he has been a distinguished soldier. May I say that the officers, non-commissioned officers and men of the units in Toronto are having the utmost difficulty to get men into their ranks. In view of the cuts made on military expenditures they find it difficult to pay the necessary costs. This vote is only about half what it used to be. Last Sunday the Toronto units held a parade in which some 6,000 men and officers took part. Frequently they have put their hands into their pockets, as have the friends of the units, to provide the necessary maintenance charges. Non-commissioned officers do the same thing for the men. If they receive a few dollars pay, on many occasions they put it into a common fund to maintain the unit. If we are to have such a limited amount, possibly it would be more in order to wipe out the militia altogether. Let us depend upon pacifism, purely and simply, if we are to reduce the vote, because we cannot have proper equipment under the present one. We have only about fifty per cent of the proper equipment in the non-permanent militia today, and the non-permanent militia are the back-bone of the permanent forces. While

everyone appreciates what the permanent force is doing, we know the non-permanent militia consists of young men in business and they are sick and tired of such small support from parliament. The government spends more money in support of that which our friends to the left depend upon, namely the League of Nations, and we get no results. This is an item from which we get practical results. I am surprised to see that the vote is so small, because I know it is becoming difficult to raise money to carry on the work.

Mr. MacNEIL: I do not wish to be misunderstood by the minister and hon. members. I am not criticizing the conscientious, hard-working militia officers in the district, but I am suggesting that the organization is top-heavy. When I spoke of high salaries I was speaking of seventeen officers at headquarters receiving—

Mr. MACKENZIE (Vancouver): That is in the permanent force vote.

Mr. MacNEIL: And similar sums, proportionately, for the military districts. I say this, too, that the expenditure is being used for the maintenance of an elaborate military establishment which is not getting practical results, and I am viewing the matter in a practical light. I am not criticizing the conscientious militia officer, and I wish to say, too, that much of the training of which staff officers at headquarters speak in glowing terms is nothing more or less than a joke, and many of us know it because of our contact with militia units. It is not being carried out properly, or as it should be carried out in a militia camp.

Further, we are reverting to that from which we suffered in 1914, at the outbreak of the war, when we were ordered to go into active service with obsolete training methods. It was often admitted by eminent military authorities that the headquarters staff at that time were not fully abreast of modern warfare. I think that is true of the training which is going on in the non-permanent militia units at this time. It is pathetic to watch the parade of some of our non-permanent militia units, and note the physical development of the young men in them, realizing at the same time the expenditures being made on the gewgaws of military training and on obsolete methods of training, when it is apparent that these same young men could be assisted in other and more practical ways. It is because I feel that this money is not being expended in a way which secures practical value that I ask for a reduction by $1,000,000.



Mr. BENNETT: I feel it incumbent upon me to make some observations in view of the fact that my friend and colleague was in the Department of National Defence only a short time before the last election. The whole expenditure for national defence purposes was closely examined, on more than one occasion, by a committee of the cabinet, and it was the considered opinion of those who had the matter in hand that we could not adequately discharge our duty if we spent less than $10,000,000 a year. That opinion is not mine, nor yet that of any one man. It is the view arrived at after the closest analysis and scrutiny of every item. The real issue is: Shall we have any defence force in the country? Either we must not play with our defence force, to the extent of wasting money, or we must utilize it so that it will accomplish some purpose.

I would be the last man in the world to place my opinion against that of the hon. member for Vancouver North. He knows whereof he speaks; he risked his life for his country on the field of battle. But I do say to him that the reports which we received are at variance with the views he has expressed. First, the military units are not at strength; that is obvious. I believe, however, that the numbers trained in those units have reached a high state of efficiency, according to modern standards of training. I do not believe it is fair to say that obsolete methods have been used. On the contrary it is my belief that the methods of training adopted in Canada are the modern which have developed in the light of the last conflict, and the knowledge gained therefrom.

For instance, mechanized artillery and mechanized branches of the service are known to everyone. Our medical service is as fine as can be found anywhere in the world. Our signalling corps has as fine a reputation and has received as ample training in electrical and other fields of knowledge allied to signalling as is found in any country, having in view the small number engaged in the work. When it comes down to a question of training of engineers, machine gun units or infantry units, I believe the standards which have been adopted are those used by the best instructors in the world. In addition to that there is annual inspection, and while for monetary reasons the camps cannot be maintained for long periods of time, they are maintained for periods of ten days or two

weeks, and sometimes a little longer than that. The result has been that, according to my observation, the men have given an excellent account of themselves.

My friend from Vancouver North says that there are in this country various military divisions with district officers commanding. Can you have a district without a commandant? Can you get along without having someone in charge, and if you have a commandant, a D.O.C., you have every branch of the service represented, someone representing the engineers, someone representing the artillery, someone representing the medical services, the signalling corps, and so on. The engineering corps, for example, is a highly efficient corps. If you have any doubt about that, see what they did, for instance, at Calgary. There they undertook the work of constructing the barracks, laying it out and doing all that sort of work, doing it in a manner that has won the approval of the highest authorities; I do not know myself, of course. If we are going to have a service at all—and for my part I think we must, or say once and for all that we cease to be a community—if we are going to have it, as the minister has said, not for aggression, but purely as the nucleus of any defence it may be necessary for this country to resort to—and we all hope and pray to God that that may never be, but the facts stare us in the face—we must make these reasonable preparations for the defence of our country. I think the department does wonders in utilizing its money to the extent it does, in applying present day scientific methods to our military problems. I mention that because this is nothing new to me. I had the opinion which the hon. member for Vancouver North has expressed, and when we came into office I thought it would be possible to cut this item down substantially. I have no doubt that the minister has been through the very same experience. But what happens is that a committee of the cabinet closely investigates every item, and despite the attacks which may be made against those who are staff officers, they have a wide fund of knowledge and have given the benefit of it to successive governments, have recommended an improvement here and an improvement there, and the curtailment of expenditures when the minister has said that it was necessary to cut to the bone. We have done that, and I am told, not by these brass-hats to which reference is sometimes made, but by competent efficient men who have investigated these matters, that if we are going to maintain even a skeleton organization we cannot do it with less money than this $10,000,000. That is the considered judgment of those who have had to deal with this problem. I say that because, as I have indicated, it has been experience which has taught me. I know, and every man who lives in a community knows exactly what the militia does. I have been privileged to be associated with some of these organizations as honorary colonel, and the honorary colonelship has been offered for an obvious reason, a very obvious one.

Mr. SPENCE: If you didn't have the money, you wouldn't be an honorary colonel.

Mr. BENNETT: When I think of what I have seen with my own eyes, the amount of real sacrifice that has been made by men for no purpose in the world except their love of the work, not for swank, as someone has suggested, but because they are high-minded, public-spirited citizens who desire to do something for the welfare of their community, and have spent hours and days and weeks trying to train young men in the rudiments of self-control, self-reliance and self-respect, as Tennyson said, I am amazed at what has been done. Those three things, self-reliance, self-respect and self-control, constitute the basis of all the efforts we make in that regard, and after all that is a discipline very much to be desired. I have seen young men loose in their habits emerge, as a result of joining a militia unit and training for days and weeks and months, with those three qualities at least, self-respect, self-reliance, self-control, very apparent. That is what I have seen, and I am sure that I but voice the sentiments of many people when I say that there are families who look back with satisfaction upon what has been done for some wayward sons by the operation of these militia units. The officers have been—and I was glad to hear the hon. member for Vancouver North admit it to be so—self-sacrificing, thinking only of the welfare of the community in which their services have been given. The real truth is that we have not nearly enough money in this country to give the service that we should give. It is pared down now to the very bone, and I do not think it is possible, in the light of my own experience and observation to make the expenditure less and render service at all. When I compare our expenditure with that of other countries with our population in other parts of the world, I am amazed that we have accomplished as much as we have with the limited sums of money at our disposal. I think the committee would be well advised to

negative this amendment, because it is one that, if carried, would destroy the active militia of this dominion at one fell swoop, and that would be the end of it.

I have only one word more, and I apologize for taking up time in connection with an item of this kind. The report to which the minister has alluded is one which was made after the most careful investigation of every phase of the matter, and it must be remembered that in practice our units are not full, and the number of men that are affected is much smaller than the number that there might be under a reorganized force at strength The same considerations which influenced the organization of the territorials under Lord Haldane have been the governing factors in determining the strength of our active militia, and notwithstanding anything which may be said to the contrary the truth is that but for the active militia in this country in 1914 Canada could not have done what she did. That, I think, is admitted by every man who knows the story of our effort in that great conflict.

Amendment negatived: yeas, 10; nays, 62.

Item stands.

Progress reported.

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

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## Wednesday, May 20, 1936

The house met at three o'clock.

### PRIVATE BILLS

REFERENCE OF CERTAIN PETITIONS TO COMMITTEE ON STANDING ORDERS

Mr. S. W. JACOBS (Cartier) moved:

That the petition of Joseph Paul George Marcoux and the petition of Adjutor St. Jean, presented on the eleventh instant, each praying for a bill of divorce, be referred, together with the report of the clerk of petitions thereon, to the standing committee on standing orders for the purpose of considering the suspension of standing orders 92 and 93 (3) (a) and (c) in relation thereto.

Motion agreed to.

### QUESTIONS

(Questions answered orally are indicated by an asterisk.)

HAMILTON, ONT., FEDERAL BUILDING

Mr. LENNARD:

1. When will the new federal building at Hamilton be ready for occupancy?
2. When do the leases expire on the several buildings now housing the various federal departments at Hamilton?
3. What rentals are being paid for the following buildings at Hamilton: (a) the Lennox building; (b) the McPherson building?

Mr. CARDIN:

1. It is expected the building will be ready for occupancy August 15, 1936.

2.

| | Lease expires |
|---|---|
| Space in Canadian National railway station (Post Office) | August 1, 1936 |
| Jolley Motor Garage (radio car) | August 1, 1937 |
| Lennox building, 16-22 King St. East (Taxation Offices) | On one month's notice |
| Duffield building (Post Office and Customs) | April 1, 1938 |
| 41 Stuart St. (National Defence) | August 1, 1940 |
| Commercial Club (Trade and Commerce and Immigration) | December 1, 1937 |
| Bruce building (Trade and Commerce) | October 1, 1936 |
| Pigott building (Labour) | On one month's notice |
| Pigott building (Radio and Pensions and National Health) | On one month's notice |
| Pigott building (Fruit Inspector, Agriculture Department) | July, 1, 1936 |
| Leavitt building (Department of Pensions and National Health) | July 27, 1936 |
| 242-246 James St. North (National Defence) | September 1, 1936 |

3. (a) Lennox building, rental $9,900 per annum; (b) McPherson (Duffield) building, rental, $20,000 per annum.

SUMMERSIDE, P.E.I., EXPERIMENTAL FOX STATION

Mr. BROOKS:

1. What sum was expended on the experimental fox station at Summerside, Prince Edward Island, in the fiscal year 1935-36?
2. How many breeding foxes were on the ranch at the 31st of March, 1936?

[Mr. Bennett.]

3. How many foxes were raised on the ranch in the fiscal years ending the 31st of March, 1933, 1934, 1935 and 1936?
4. How many fox pelts were sold in the fiscal years 1934-35 and 1935-36, and what was the average price received therefor?
5. How many men were employed on the ranch in the fiscal years ending the 31st of March, 1935, and the 31st of March, 1936?
6. Have any additional men been employed on the ranch since the 1st day of January, 1936?

7. If so, whom, when, at what salary, and for what periods?

Mr. GARDINER:

1. Experimental Farms vote, $14,921.67; Public Works Construction Act, $1,748.96.

2. 103.

3. 1933, 43; 1934, 77; 1935, 98; 1936, 171.

4. Total pelt crop 1934-35, 52, with average price $39.88—sold in fiscal year 1935-36. Total pelt crop 1935-36, 80, with average price of those already sold $37.61.

5. March, 31, 1935—3 full time unclassified men, 7 temporarily on construction work. March 31, 1936—3 full time unclassified men, 6 temporarily on construction work.

6. Two additional labourers and 1 graduate assistant.

7. C. Barlow—April 21, 30 cents per hour; R. Silliphant—May 1, 35 cents per hour; W. R. Inman, May 1, 50 cents per hour.

CRAB ISLAND, ONT., LIGHTKEEPER

Mr. LALONDE:

1. Is Crab Island (L'Ile Rosalie) situated in the Ottawa river near Montebello, a part of the province of Ontario or of the province of Quebec, and, in either case, for what reason?
2. Was there a lighthouse or a light on this island, as an aid to navigation, under the jurisdiction of the dominion government?
3. If so, in what year was it erected?
4. Who was the lightkeeper on January 1, 1936?
5. Was the lightkeeper a temporary or permanent employee?
6. Has he been dismissed from his position, and, if so, for what reasons, and who recommended his dismissal?
7. Who has been appointed his successor, and upon whose recommendation?

Mr. HOWE:

1. Crab Island (L'Ile Rosalie) is part of Ontario, being on the Ontario side of the boundary.

2. Yes.

3. 1912.

4. Alphonse Séguin.

5. Permanent.

6. No, he died.

7. Temporary arrangement only in effect. Civil Service Commission have been asked to make an appointment.

SASKATCHEWAN POSTAL SERVICES

Mr. COLDWELL:

1. Has one J. J. Martin a contract for carrying mail between Prince Albert, Saskatchewan, and Steep Creek post office?
2. How often is the mail delivered?
3. What amount is paid for this service?
4. Were changes in regard to Steep Creek, Fanford and Saskatchewan Forks post offices made at the request of the said J. J. Martin?

Mr. ELLIOTT (Middlesex):

1. Yes.
2. Twice per week.
3. $449.
4. No.

## QUESTIONS PASSED AS ORDERS FOR RETURNS

FARMS AND FARM OWNERSHIP

Mr. BLANCHETTE:

1. What is the total number of farm owners in the dominion?
2. How many farm owners are there in each province?
3. What is the total value of these farms in each province?
4. What category of farming has been found most remunerative for the past five years?
5. What category of farming has been found least remunerative?

Mr. RINFRET: Return tabled herewith.

LEGAL FEES—MR. SOMMERVILLE AND MR. WHITE

Mr. PELLETIER:

How much was paid to Mr. Peter White, K.C., and Mr. Norman Sommerville, K.C., since 1930 for legal fees and travelling expenses?

Mr. RINFRET: Return tabled herewith.

## NATIONAL HARBOURS BOARD

PROVISION FOR ADMINISTRATION AND CONTROL OF PUBLIC HARBOURS

The house resumed from Thursday, April 23, consideration of Bill No. 17, respecting the national harbours board—Mr. Howe—Mr. Sanderson in the chair.

On section 2—definitions.

Mr. MACKENZIE (Vancouver): I move the following amendment:

That section 2 of the bill be amended as follows:

(a) By striking out the word "transport" in the seventh line on page one of the bill and inserting in lieu thereof the words "the crown named by the governor in council to administer this act;"

(b) By striking out the words "under the various acts" in the thirteenth line on page one of the bill and inserting in lieu thereof the following: "to administer the harbours of Halifax, Saint John, Chicoutimi, Quebec, Three Rivers, Montreal and Vancouver by the acts."

Amendment agreed to.

Mr. LAPOINTE (Quebec East): I wish to refer to something which is rather of a personal nature. While I was away, on April 23, 1936, my right hon. friend the leader of the opposition, referring to the fact that he

had not proceeded to introduce a bill implementing the Gibb report, said at page 2085 of Hansard:

> But there never was submitted to council a draft bill in the sense of having finality, though there were discussions. I found, however, opposition among our own people as well as opposition from this side, led at that time by the present Minister of Justice (Mr. Lapointe), so that it would be absolutely impossible for us to get the bill through. When I say "impossible" I mean impossible in that sense.

I do not know where my right hon. friend gathered the idea that I was opposed to the bill or to the Gibb report. On the contrary I was in favour of it; I was hoping that this measure would be introduced by my right hon. friend in order that we would not have the responsibility of introducing it ourselves, and I expressed myself accordingly to my colleague from Quebec South. I am sure my right hon. friend could not find anywhere in Hansard or in private conversation anything that would justify this statement.

Mr. BENNETT: Mr. Chairman, when I made the statement it was based on information I received following a question which the hon. gentleman asked in this house as to whether or not it was the intention of the government to proceed to implement the Gibb report. My memory is that the hon. gentleman asked that question on more than one occasion. As there was a distinct cleavage of opinion to the right of the Speaker I naturally inquired as to what was the attitude of the opposition, and I was informed that my hon. friend the present Minister of Justice was opposed to it, and if we introduced it he could join with those who did not believe in it and the government would not be able to put it through. That was one of my reasons for making the statement I did. Apparently I was inaccurately informed, and I am very glad that the hon. gentleman was a supporter of the Gibb report and would have supported any bill that might have been introduced by the government to implement that report. It would have been a striking contrast to any evidence that we had of the willingness of hon. gentlemen opposite to support anything that emanated from the government during the five years we were in power.

Mr. LAPOINTE (Quebec East): My right hon. friend is not fair to me, because if he will recall I was the first in the house to rise and support his bill on radio broadcasting.

Mr. BENNETT: Yes, and ever since hon. gentlemen opposite have been trying to undo what was then done.

[Mr. E. Lapointe.]

Mr. LAPOINTE (Quebec East): Because my right hon. friend should have done better in carrying it out.

Section as amended agreed to.

On section 3—Board constituted.

Mr. MACKENZIE (Vancouver): I move the following amendment:

> That subsection 1 of section 3 of the bill be amended by inserting after the word "under" in the nineteenth line on page one of the bill the words "the direction of."

Amendment agreed to.

Section as amended agreed to.

On section 6—Board to have jurisdiction over certain harbours, works and property.

Mr. ISNOR: Before we take up section 6 I should like to direct the attention of the minister to section 4. It will be remembered that on April 22 I brought to the attention of the minister an amendment asking that a subsection be inserted directing that freight, wherever possible, should pass through Canadian ports. The exact wording was:

> The board shall so direct, provide and procure that all freight destined for export by sea which is consigned within Canada for carriage to National Railways either at point of origin or between that and the sea shall, unless it has been by its shippers specifically routed otherwise, be exported through Canadian ports.

In suggesting that amendment to the minister I do so not with any particular port in mind, but rather in order that our Canadian goods destined for export shall go through Canadian ports, and our workmen in those ports shall profit from the handling of those goods. My suggested amendment is not prompted by sectional pride, but is for the direct benefit of each and every one of the seven ports mentioned in this bill. Therefore I hope the minister is not going to pass over section 4 without giving this suggested amendment serious consideration. May I refer to the national ports survey report made in 1931-32, and deal with a few of the figures therein contained in regard to the shipments of grain alone. The report shows the exports of Canadian grain which went through Canadian and United States ports respectively, and gives the following figures:

| | Canadian Grain Exports | |
|---|---|---|
| Crop year: | Through Canadian ports bushels | Through United States ports bushels |
| 1926-27 | 159,400,000 | 137,458,000 |
| 1927-28 | 213,008,000 | 116,082,000 |
| 1928-29 | 263,177,000 | 139,870,000 |

The average for five years is 120,000,000 bushels shipped through the Canadian ports and 59,000,000 bushels shipped through American ports.

With figures like these facing us, the minister, in bringing into effect a new organization to administer our ports should consider every possible means of encouraging more freight traffic to go through our own Canadian ports. As I said, this is not a sectional cry at all but relates to every one of our ports.

I stated when I first introduced this amendment that the minister is no doubt familiar with all these figures. I could give a great many more, and I could read extracts from the press in various sections of Canada to support this contention. I could present resolutions from boards of trade in different parts of Canada, all having the same purpose of producing more work for the men in our Canadian ports. This seems to be an opportune time to bring such an amendment before this committee. The same provision is word for word in the Canadian National-Canadian Pacific Act, and I think it was put there for a purpose. It might be contended that the national harbours board has been created to look after just such matters as this. But by having this provision in the act it will have the tendency to draw their attention to it in a much stronger manner than if it were not there.

If it were not for prolonging the discussion I could go back, as other hon. members have done, to the British North America Act, 1867, and show why railways connecting the different parts of Canada were considered so important. I merely say that if they were important at the time of confederation they are just as important now in carrying our goods from end to end of Canada and transporting them for export through our own Canadian ports. I therefore trust that the minister will give my suggested amendment favourable consideration and that it will be accepted.

The CHAIRMAN: There is an amendment to section 6, moved by Mr. Mackenzie (Vancouver):

That paragraph (a) of subsection 1 of section 6 be amended by striking out the words "are now" in the forty-fourth line on page 3 of the bill, and inserting in lieu thereof the words "at the date of the coming into force of this act were."

Amendment agreed to.

Mr. GREEN: Before section 6 is carried may I ask the minister whether any provision is to be made in the bill enabling him to appoint local advisory councils? I think such a provision is of particular importance to the port of Vancouver, because that port is so far removed from Ottawa; there is bound to be delay in dealing with problems that arise in the port and it will be very difficult for the central board to keep in touch with conditions there without some local advisory board representing the different interests using the port. Then, our problems, as the minister knows, are those of a Pacific port in direct competition with the ports of Seattle and San Francisco, the problems are quite different from those of ports on the Atlantic and the St. Lawrence. Finally, our port has been developed by private interests to a much greater extent than have any of the other great Canadian ports. For these reasons I suggest that there should be some power under the act whereby the minister may provide for the appointment of such councils.

Hon. C. D. HOWE (Minister of Marine): There is nothing in this bill which prevents the establishment of local advisory councils if it should be found that they are necessary. But it was considered that the port manager would give all the necessary local contact, and that there would not be need for local advisory councils. But if the need becomes apparent I can assure my hon. friend that local councils will be established, which may be carried out under the terms of the bill.

To the hon. junior member for Halifax (Mr. Isnor) I may say in reference to section 4 that his proposed amendment received very careful consideration. Of course there can be no objection whatever to including the amendment in the bill except this, that the entire purpose of the bill is to do exactly what his proposed amendment asks. In other words, this bill covers the administration of seven seaports in Canada. The whole purpose of the ports and of the organization behind them is to attract outbound commerce for export through these ports, as well as imports inbound from foreign countries. Our organization is set up for that purpose, and every effort of every member of the organization must be directed to that purpose. My only objection to including the proposed amendment is that to state it in the bill might lead people to believe that there was no real purpose behind the bill which we have introduced. It would weaken rather than add to the purpose the hon. member has in mind.

Mr. ISNOR: The minister may believe that the suggested amendment is unnecessary, but I suggest it will do no harm. If it does no harm, why not include it? In my view it will do even more than create good feeling.

It will make people in the extreme eastern and western parts of the country realize that their interests are being safeguarded to a greater extent.

Mr. GREEN: If the minister finds it will be helpful to have a local advisory council at the port of Vancouver I understand he will provide for such council by bylaw under the present bill.

Mr. HOWE: Yes.

Mr. BENNETT: Under what authority in the bill?

Mr. HOWE: I may be mistaken, but I see nothing in the bill which prevents us from obtaining advice anywhere we like. I think there would be no great difficulty under the bill to secure advisers of any kind we wish.

Mr. BENNETT: I am afraid that is not quite sound.

Section 6 as amended agreed to.

On section 10—Acquisition of real estate or personal property.

Mr. MACKENZIE (Vancouver): I move:

That subsection (2) of section 10 of the bill be amended by striking out the words "acquired and held in the name of" in the thirty-seventh line of page 4, and by inserting in lieu thereof the words "vested in."

Amendment agreed to.

Section 10 as amended agreed to.

On section 13—Bylaws.

Mr. MACKENZIE (Vancouver): I move:

That section 13 of the bill be amended as follows:—

(a) by striking out the word "board" in the seventh line on page 6 of the bill and substituting in lieu thereof the words "governor in council";

(b) by striking out the word "board" in the second line on page 7 of the bill and substituting in lieu thereof the words "governor in council";

(c) by striking out subsections 2, 3, 4, 5, 6 and 7 thereof on page 7 of the bill and by substituting in lieu thereof as subsection 2 the following:

"(2) Bylaws made in accordance with the provisions of this act shall, when published in the Canada Gazette, have the same force and effect as if enacted herein."

Mr. BENNETT: I only direct the attention of the government to the fact that it has enacted in section 13, notably in paragraph (h), a provision to which most violent exception was taken in days past. That is, the governor in council is now authorized to prescribe a penalty "that may be imposed on any person violating any bylaw which the board is authorized to make under this act."

[Mr. Isnor.]

As a matter of fact the governor in council is at present authorized to make the bylaws. Although there have been changes in the main body of the section, paragraph (h) in my copy has not been changed, and it provides for a fine up to $500 or sixty days imprisonment. That is to be done by the governor in council, one of the matters to which most violent opposition was expressed in the last few years. I point out that in some way paragraph (h) should be amended because it says "any bylaw which the board is authorized to make."

Mr. CAHAN: The proposed amendment makes the change.

Mr. BENNETT: I did not understand it to do so. Does it cover all the sections?

Mr. DUNNING: Yes.

Mr. BENNETT: I was referring to the last copy on my file.

Mr. HOWE: There may be an error. The second change was not put in the last copy of the bill.

Mr. POULIOT: I do not find it worse than engaging the credit of Canada for millions of dollars by order in council.

Mr. CAHAN: Is it clear that the amendment to section 13 means that wherever the word "board" is found in the section as now printed, the words "governor in council" will be substituted?

Mr. HOWE: Yes.

Amendment agreed to.

Section 13 as amended agreed to.

On section 22—Recovery of penalties.

Mr. MACKENZIE (Vancouver): I move:

That section 22 of the bill be amended by striking out the words "moneys due and" in the fifth line on page 11 of the bill.

Mr. HOWE: This is to correct an error which appears in the old act. Obviously we cannot collect money under the criminal code.

Amendment agreed to.

Section 22 as amended agreed to.

On section 37—Powers of board.

Mr. MACKENZIE: I move:

That section 37 of the bill be striken out and the following substituted in lieu thereof:

37. (1) The board shall possess and be vested with all the powers, rights and privileges belonging to and possessed by or vested in each of the corporations at or before the coming into force of this act, or to which they, or any of them, may be or become

entitled, and shall be liable for all lawful claims against, and obligations of the said corporations.

(2) Nothing in this act contained shall prejudice or affect the rights of any person which may have existed at or before the coming into force of this act against any of the corporations or any action or legal proceeding taken to enforce such rights and such rights may be enforced by action against the board and any action or legal proceeding instituted before the coming into force of this act may be continued against the board.

Amendment agreed to.

Mr. HOWE: The hon. member for St. Lawrence-St. George proposed a further amendment which would make the board liable in tort. I had no personal objection to the inclusion of this amendment, but the law officers of the crown hold the view that it would make a decided change in the policy of the government in matters of this kind, and have advised very strongly against including the amendment.

Mr. CAHAN: Before the section as amended is carried, I move:

That section 37 of the bill be amended by adding the following subsections:

"(3) That the board shall become and be liable to be sued in tort, and that in the case of any such suit in tort, the same procedure shall apply as that which regulates the conduct of similar cases between subjects, including such matters as discovery, the receiving and paying of costs by the board, and the like.

(4) Service upon the board of any writ or process may be effected by personal service upon an officer or employee of the board at any of the harbours over which the board has jurisdiction.

Under the existing law the crown, that is to say, the government, cannot be proceeded against, either by petition of right or otherwise, for any alleged wrong on the part of its servants. The only remedy for any such wrong is against the individual employee of the government who is deemed responsible for the wrongdoing.

I suggest that when the government of this country, as in this case, undertakes the ownership, direction and operation of any great public utility, such as a railway, or undertakes the operation of elevators, warehouses, wharves or docks, the procedure by information and petition of right should be abolished or superseded, and the crown, as a litigant, should be liable to be sued in tort and be subjected to the same procedure as in ordinary cases between subjects, including, as I have suggested in the amendment, such matters as discovery, receiving and paying of costs and the like. In other words, that the crown, owning and operating public utilities, should be placed in the same position in the competent courts of the country as regards power and liability to sue and be sued as subjects of the crown inter se. I am strongly of the opinion that the crown, in respect of its administration of such public utilities, should be liable as any private commercial or industrial corporation is liable to be sued in tort for the wrongs which may be committed by its officers, agents or employees. Take the case of this public utility extending from the Atlantic to the Pacific administering the great harbours of Canada, operating railways and tramways, operating elevators and public docks; should not such organizations, when they through negligence of their servants commit wrongs, be liable to answer as other commercial and industrial companies must answer in the ordinary courts of competent jurisdiction of the country?

At the present time I do not wish to review the decisions, but it is perfectly clear that under this act as at present drawn, any damage which is done to shipping, domestic or foreign, at the wharves and docks operated by this company, any injury done to commercial men who are sending their teams and their agents to these warehouses and docks to conduct their ordinary business, any injury that is done to others by the negligence of the government or its employees or agents, cannot, as this bill is at present drawn, be the subject of an action for damages in the provincial courts of competent jurisdiction in Canada.

I might quote more than one opinion of eminent judges of this country who have suggested that this defence of acting for the crown should not be permitted as a defence with regard to the operation of these utilities, but a very late case is that of the Temiskaming and Northern Railway Commission, reported in 70 Ontario Reports, 1934, at page 701. The court of appeal of Ontario dealt there with a very simple case, and the decision of the court was rendered by Mr. Justice Davis, then of the court of appeal, and now of the Supreme Court of Canada. He suggested that this bar to the assertion of the civil rights of those who suffered from the wrongs committed by a railway owned by the crown and operated by its agents should certainly be abolished. In this particular case the court of appeal had to consider whether the commission apointed by the lieutenant governor in council of Ontario to administer a public undertaking, that is, this particular railway, in the right of the crown as representing the province, was not liable for the damages resulting from running

over a motor car and destroying it by the negligence of the operatives of the railway. Mr. Justice Davis, at page 70, said:

> The crown can do no wrong, and the immunity of the crown for the tortious acts of its servants and agents is well established as a constitutional rule of law. It is, like other royal prerogatives, not to be treated as personal to the sovereign, but as a constitutional right conferred on the sovereign upon principles of public policy for the benefit of the people. These prerogatives of the crown form part of the law and, generally speaking, are 'as ancient as the law itself."

And he refers to the case of The Queen v. McLeod, 1883, in the Supreme Court of Canada Reports. He proceeds:

> In recent years parliaments have assigned to ministers and civil servants vast powers of subordinate legislation and administrative business and have endowed them with many functions, sometimes judicial or quasi-judicial, and the subject of the right of action for tort against government departments has not only been before the courts for consideration but has been the subject matter of much inquiry and discussion both in England and in this country. There can be no doubt of the right of our legislature, by distinct enactment to limit or abolish this old constitutional immunity in respect of government business, but not only the wisdom of so doing, but the authority to do so is entirely a matter for the legislature. The court must administer the law as it finds it.

I wish to commend to the consideration of the government and of parliament the fact that in these days when the government is undertaking large and extensive public services, many of them in competition with commercial and industrial enterprises, it should assume the same liability for the torts or wrongs committed by their servants as must be assumed by other public companies which are not operated in the right of His Majesty, and by all private companies of every sort and description and kind. In order that this matter may be considered I desire to press the amendment which I have read, and which I had previously submitted to the Minister of Marine for the consideration of himself and his officers.

Mr. MACKENZIE (Vancouver): Mr. Chairman, I have just one brief reference to make to the amendment that has just been submitted. Even if everyone should agree with the general principles enunciated by the hon member for St. Lawrence-St. George (Mr. Cahan) I think it is highly improper to introduce the application of a general principle in a special act. If we were to carry out the recommendation made by Mr. Justice Davis in the case the hon. member has mentioned, that would be a matter of general government policy and would apply to all departments of government, and there is no precedent for introducing into special acts such as this, dealing with one particular department of government, a general principle applicable to all departments. If we were to make the particular principle my hon. friend advocates applicable here and not make other departments of government subject to its application, that in itself would constitute a discrimination in legislation. I agree very largely with some of the observations which the hon. member made and those which he quoted from Mr. Justice Davis, but this is not the way, I submit, to effect the application of the general principle which he advocates. I commend to the government the consideration of the general principle which is applied to all legislation. There is no discrimination in connection with this particular piece of legislation now before the committee.

Mr. BENNETT: I am unable to agree with the Minister of National Defence (Mr. Mackenzie), for the simple reason that this is a special form of legislation which deprives those who may have a right of action of that right of action against the Halifax harbour commissioners, the Montreal harbour commissioners, and other harbour commissioners.

Mr. MACKENZIE (Vancouver): Have they that right of action now?

Mr. BENNETT: I understand some of the harbour commissions have been sued in the courts because of negligence.

Mr. MACKENZIE (Vancouver): Not so far as I know.

Mr. BENNETT: It is my understanding that the harbour commissioners of Montreal were sued in connection with the movement of grain. Litigation went forward in the courts in my time. I can only say that. This is not an ordinary department it is a department which is competing with those who are operating utilities of the same kind. Suppose we have this case. The Cunard-White Star line have a dock upon which facilities have been established. Because of negligence a workman is injured. On the railway operated by the Montreal harbour board, or by their general manager, as it would be now, a workman is injured. In the one case the workman takes his action in the courts, and, if he establishes negligence, he succeeds. In the other case, where the railway falls under the provisions of this act, he can sue only by petition of right, which has to be printed and submitted to the Minister of Justice, and by him to His Excellency.

Mr. CAHAN: They cannot proceed even by petition of right.

Mr. BENNETT: As it stands now, on a tort he would not have the right to do that. Is that quite fair? Here are two enterprises being conducted side by side. Over here are the facilities on the dock of the Cunard-White Star line; over there is the terminal railway of the Montreal harbour. In the one case a workman is injured through negligence and he is able to bring his action; in the other case the workman is injured, perhaps by negligence even more abundantly clear, but he cannot maintain an action. The answer may be that he is taken care of under the workmen's compensation act or otherwise, but I think it is time this sort of thing was stopped. My colleague, the former Secretary of State (Mr. Cahan), referred to the judgment of Mr. Justice Davis in the Ontario court of appeal. In England they set up a commission headed by the late Lord Tomlin for the purpose of considering the matter. Certain recommendations were made and a bill was actually introduced in parliament, but it did not get through because of the pressure of other business. We passed a special act in this country between 1911 and 1917 under the government of Sir Robert Borden—the exact date I cannot recall—by which claims against the Intercolonial Railway could be litigated. Perhaps the Minister of National Revenue (Mr. Ilsley) will remember the date of the act which allowed the Intercolonial to be sued for certain classes of claims.

Is it not time that we made a little progress in this direction? If the crown has been guilty of negligence through its servants, why should not the crown be liable, just as the Cunard-White Star line or the Canadian Pacific would be liable? The only way to take a step forward is to do it now. We are setting up a utility to compete with other utilities; for instance, they operate cold storage depots, terminal railways, storage and elevator plants. In regard to what the Minister of National Defence has said, it will be recalled that the action brought in Quebec was in connection with certificates which had been forged by a servant of the harbour commission. The question was litigated, but the matter was settled before it was finally determined in the courts. I do not know whether a fiat was issued, but I do recall that the action was instituted in the superior court rather than in the exchequer court. Surely we are now in position to make an advance. I think the time has come when Canada can afford to step forward and do that which jurists in Great Britain, in Canada and other parts of the world have long regarded as the sound thing to do.

I am sure the Minister of National Defence would be the first to say that if one of his fellow citizens was injured on the docks of the harbour commission, he should have the same right of action as if he were an employee of the Canadian Pacific. It is time this discrimination was stopped. I think we should add to the bill to give it a more far-reaching effect. To do that would be not only a distinct improvement but would show that we are ready to take a step forward by giving to all employees who are injured the same right of action against their employers, whether they happen to be the government or a private corporation.

Mr. HOWE: The purpose of this bill is to unite several harbour commissions into one harbour board. We have made absolutely no change which will affect the individual corporations. In other words, the individual corporations were not liable in tort, and this corporation likewise will not be liable. I went into this matter very carefully with the law officers, because it seemed reasonable to me that these employees should be given the right of action, but I was told that to insert such a provision in a bill of this kind would be a complete departure from British law. If the principle that the king can do no wrong is to be abolished, it seems to me that this is hardly the place to do it.

Mr. BENNETT: It may not be desirable to do it in all cases, but it is a different thing where you are operating a utility. There is a difference between saying that the king can do no wrong and that three civil servants who comprise a commission can do no wrong. The title has been placed in the crown so that the crown will be free from the interference which might come about because of the imposition of undue taxation. That question actually arose. The hon. member for Halifax (Mr. Isnor) will recall that the city of Halifax had a case which went to the Supreme Court of Canada in connection with the imposition of a business tax on the lessee of a portion of the harbour front. The same question has arisen in Vancouver. It is a long cry from saying that the king can do no wrong—remember that this maxim had its origin in the birth of the law—to saying that these three eminent gentlemen can do no wrong in the conduct of harbour business. It seems to me that we are dealing with a matter in which there is more than a general

principle at stake. A utility is being administered for the public and it will tend to make the officials a little more careful if this is done. It is not as though the particular law to which the hon. gentleman referred were inflexible, because it is not. In nearly every age there has been a judge who has suggested that this should be done in a particular case with which he might be dealing. When he gave his judgment, Mr. Justice Davis was dealing with a publicly owned railway which was operating in a territory traversed by more than one road. He said that the publicly owned railway should be liable for tort or otherwise just the same as any ordinary railway. In this case, where you have a utility, does it not seem to be reasonable that we should make an advance now and not wait for some future time? It is not as though this were a monopoly, because down here there is the Anchor line, the Cunard line, and the Canadian Pacific steamships, and if they are negligent in the conduct of their business the employee has his right of action for negligence, while over there, where there is a warehouse or an elevator, because the employee happens to be under the direction of a general manager who is the servant of a commission which represents the crown, he cannot recover. It is not fair. It is a situation which arises because of modern developments. I think it was the last appointee to the Supreme Court of the United States, Justice Cardozo, who delivered recently a lecture on the judicial habit. In speaking upon that subject, he pointed out how desirable it is that judges should make their minds responsive to the changes that are taking place in civilization. The United States supreme court has always been moved by those considerations, notably in a great judgment of Chief Justice Marshall in earlier times. In England, in the case of Allen v. Flood, we find the House of Lords moved by those considerations. Now here is a great chance for the dominion of Canada to make a step foward, by making the crown, as an employer of labour in the operation of a utility, liable for damages in tort just as a private employer or corporation would be.

Mr. MACKENZIE (Vancouver): If I agreed with all that the right hon. gentleman said and all that the hon. member for St. Lawrence-St. George said, the proper procedure would be to change the general principle of the law and apply it to every department of government.

Mr. BENNETT: No.

[Mr. Bennett.]

Mr. MACKENZIE (Vancouver): Otherwise you would have in this legislation the application of a principle affecting one department of the crown in the Dominion of Canada and not affecting any other. Is not that correct?

Mr. CAHAN: No other department operates like public utilities.

Mr. MACKENZIE (Vancouver): Or in any other British country?

Mr. CAHAN: No, it is not.

Mr. MACKENZIE (Vancouver): My hon. friend seeks to apply a principle with respect to this piece of legislation that does not apply to any other department of the crown in Canada. They are not liable in tort for the operation of government railways.

Mr. BENNETT: But for the operation of their system they are liable in suit every day. I have sued them myself.

Mr. CAHAN: It was not so stated, but in previous discussions of this bill, as I have contended, to make it particularly clear that this property which is administered by the proposed board shall be free from taxation in the several provinces, we have declared by specific legislation that the property is vested in His Majesty in the right of the dominion, and consequently that the board should be deemed to be an agent of His Majesty in the administration of the act. But in fact this property is no more the property of the crown than Canadian National Steamships is the property of the crown. Every dollar invested in Canadian National Steamships was taken from the consolidated revenues of this country. Those ships are owned by the government as much as are these wharves and docks, yet because Canadian National Steamships is incorporated as a company it is liable to actions in tort, it is liable for damages which are due to the inefficiency and negligence of its officers and employees. Furthermore I suggest that the subsidiaries of the Canadian National Railways as at present constituted are liable to be sued in tort. I notice that the adviser of the minister is suggesting something to the contrary.

Mr. DUNNING: You must have very good ears.

Mr. CAHAN: Oh well, I could read by the movement of his lips what was being said. But I still differ. In large measure the Canadian National Railways in their operation are liable for the wrongs committed by servants, and so far as my memory goes, in every

case in which action was brought against its individual employee or servant because of a wrongful act committed by him in the service of the railway, and judgment was recovered, the government, recognizing this principle, assumed the liability and paid the judgment. That is so far as my experience goes, although it is not so very extensive. Now we have begun in a large way to operate through a department of government these public utilities. The minister who will assume, under the measure now proposed to the house, the office of Minister of Transport, will conduct the Canadian National Railways, a public utility, Canadian National Steamships, a public utility, the harbour board, a public utility, and certain other minor boards which may be regarded as public utilities. I say that when the government is entering upon the ownership and administration of these utilities in competition with many private services, it should assume, as other public corporations have to assume, and as all private corporations have to assume, the liability for wrongs done in the administration of a similar service. No other department of government conducts services of this extent and this kind.

Mr. MacLENNAN: Will the employees of the national harbours board have the benefits of the compensation laws?

Mr. HOWE: Yes. The government has a compensation act of its own which makes applicable to its employees the various provincial compensation acts. Every precaution which is taken by a private firm to protect its employees is taken by the government, not as a matter of compulsion but as a matter of grace.

Mr. CAHAN: But this amendment which I propose does not refer so particularly to employees. It simply means that if, driving down on a public wharf to go on board a steamship as a passenger, through the negligence of the operatives of the Montreal harbour railway my family and I are destroyed, there can be no action for damages, although I might have lost my life and the lives of my family by the negligence of the driver of the locomotive. It means that in the operation of large elevators such as we have, if through the negligence of the operators a steamship company lying alongside the wharf suffers damage to the extent of hundreds or even thousands or tens of thousands of dollars, it has no remedy whatsoever, although if it were lying alongside a private wharf, similar negligence on behalf of the owner of the private wharf would found a good claim for damages in the courts. I have nothing more to say. I have put this amendment before the committee, and I suppose it will be voted down, but I insist that it is a matter which should have received more careful consideration.

Mr. HOWE: The hon. member for St. Lawrence-St. George has strong sympathizers on this side of the house. It is solely because the officers see great difficulties ahead that his amendment has not been accepted, but if he will allow us to pass the other sections and hold this over for further consideration we shall be very glad to do so.

Mr. CAHAN: I am anxious to assist the minister in every way. Suppose that he proceeds: we will hold section 37 as at present amended.

Mr HOWE: Yes.

Mr. CAHAN: Subject to further consideration of the motion outstanding. Now the minister has a slight amendment to section 38—

The CHAIRMAN: An amendment to section 37 has been already carried.

Mr. CAHAN: Quite so, but before the section as a whole was carried I moved another amendment and I wish that amendment to stand, as the minister suggests.

Section 37 stands.

On section 38—Proceedings relative to construction of works in navigable waters under jurisdiction of the board.

Mr. DUNNING: I move that section 38 be amended by striking out the words "of transport" in the seventh line on page 14 of the bill.

Amendment agreed to.

Section as amended agreed to.

On section 39—Acts repealed.

Mr. DUNNING: I move that section 39 of the bill be struck out and the following substituted in lieu thereof:

39. The Quebec Harbour and River Police Act, chapter one hundred and sixty-nine of the revised statutes of Canada, 1927, and the acts mentioned in schedule "A" to this act, except sections fifteen, sixteen and seventeen of the Saint John Harbour Commissioners Act, 1927, chapter sixty-seven of the statutes of 1927, are hereby repealed.

Amendment agreed to.

Section as amended agreed to.

On section 40—Commencement of act.

Mr. DUNNING: I move that section 40 be amended by inserting after the word "act" in line 15 on page 14 of the bill the words "in whole or in part" and by inserting after the word "date" in the same line the words "or dates."

Amendment agreed to.

Mr. CAHAN: I should like to call the minister's attention to one matter that struck me. I refer to section 16, subsection 4, of the bill, on page 9:

> Such vessel may be seized and sold under any writ or warrant of execution or of distress issued by any court of record upon the judgment or conviction at the suit of the board against the vessel, the master, owner or person in charge thereof.

I would suggest for the consideration of the minister and his legal advisers that this should read "any court of competent jurisdiction" rather than any court of record, because we have many different kinds of courts of record in this country, and only a court of competent jurisdiction should be entitled to so proceed. I suggest that for the consideration of the minister before the bill comes up for final passage through this committee.

Mr. HOWE: I shall be glad to take that under consideration.

Section as amended agreed to.

On the schedule.

Mr. DUNNING: I move that the said bill be amended by adding thereto as schedule "B" thereof, the following:

Then follows the descriptive matter contained in the last reprint of the bill.

Mr. CAHAN: Do the descriptions remain the same in the new schedule "B"?

Mr. HOWE: There is just one change. We were requested to change the description of the north arm of Vancouver harbour, and hame made it read "the Indian arm—formerly known as the north arm." We consulted the geographical board and were advised that this description is correct. That is the only change.

Amendment agreed to.

On section 15—Rates and tolls.

Mr. ISNOR: I should like to ask the minister if, while considering the various amendments to this bill, he and his officers considered the establishment of free zones or free ports in connection with the activities of the harbour board.



Mr. BENNETT: What does the hon. gentleman mean by that?

Mr. ISNOR: Not exactly what a great many people have in mind. I certainly do not want to see free ports established which would bring about the erection of barriers between various provinces, or anything like that, but I do feel we could establish free zones. Consider the province of Nova Scotia, or the port of Halifax. I believe we could set aside a certain area in which goods could be landed and placed in warehouses or reshipped, as the case might be, which would mean very much additional labour so far as our harbour front is concerned. That is the free port or zone that I have in mind.

Mr. HOWE: The matter of free ports is something quite apart from this bill, and there would be no place for it in the bill even if the government were inclined to adopt the policy. It would require a great deal of legislation, apart from this.

Mr. ISNOR: My question was whether it was considered when the minister was dealing with the setting up of the harbour board.

Mr. HOWE: It really has nothing to do with the harbour board and it was not considered in that connection.

Mr. ISNOR: I do not know whether that answers the question. I believe it has a direct bearing in connection with the activities of the harbour board. As I understand it they are to create business for the various harbours mentioned in the bill, and if this is one way in which greater business can be procured for any one or all of these ports then I say it comes within the jurisdiction of this central harbour board to consider such an angle.

Mr. HOWE: The question of free ports is a matter of customs regulation, a matter of tariffs, and has nothing to do with the management of the ports.

Mr. ISNOR: No, but it has to do with the creation of business.

Mr. HOWE: If the customs department will create a free area we will administer it through our present machinery.

Mr. BENNETT: Section 15 was allowed to stand for a very special reason. Perhaps the minister will recall that we thought it was very arbitrary; I pointed out that if the Minister of Justice were on this side of the house he would regard it as such an arbitrary exercise of power as to shock his Liberal sensibilities. If he will look at it he will see

that the board may levy such rates and tolls as may be fixed by by-law. That is now done by the governor in council, though it was not at the time we were discussing it. Then the section proceeds:

> ... and may, with the approval of the minister, commute any rates or tolls so fixed on such terms and conditions and for such sums of money as the board deems expedient.

That is a wide power.

> (2) The rates and tolls on goods landed or transshipped in or shipped from any harbour under the jurisdiction of the board shall be paid by the consignee, shipper, owner or agent of such goods, and goods shall not be removed from the harbour until such rates or tolls are fully paid or security for payment accepted by the board.
>
> (3) No officer of customs shall grant a clearance to any vessel to leave—

And so on. The point we were making is that as it then read that left a large discretion in the hands of the board to levy these rates and tolls, and with the approval of the minister they could commute them. That was giving to the board a power of discrimination against which at times I have heard very strong protests in this house, in connection not with this legislation but with legislation somewhat similar. It invites pressure, and in view of the attitude taken by the government in respect to the rest of the bill it must be unsound. It is not so bad now, since it is to be done by by-law and not by the mere passing of a resolution, and that by-law will have to be passed by the governor in council, because the rates and tolls are as fixed by the by-law and that is fixed by the governor in council. So that part of the objection we made a few days ago has disappeared, to the extent that the responsibility is now that of the governor in council rather than of the board. But to permit them with the approval of the minister to commute or reduce tolls is but inviting pressure. For instance, take the case of Montreal and Sorel—not an imaginary case, but a real one—or Montreal and Quebec. During the last five years, in order to secure some traffic for Quebec, the harbour board there reduced the tolls to a rate lower than that which prevailed at Montreal, so that grain would be carried to Quebec harbour and stored there rather than at Montreal. That of course is well known. Also it is well known that the difficulty experienced as between those two ports existed in connection with Sorel, where additional elevator space is being constructed. Giving this power to the minister—it is really the power of the minister, because it is with his approval—to "commute any rates or tolls so fixed on such terms and conditions and for such sums of money as the board deems expedient" I think is something that if possible we should avoid. I pointed out the difficulties of placing that power in the hands of any minister, with political pressure as it is. I still think it is very much to be deprecated. For instance you might have a contest between Fort William and Port Arthur. It is difficult to imagine that, because the rates to those two points are the same and they do not come under this bill, but there might be difficulty as between elevator space further up in Burrard inlet and space lower down. These things happen. In the case I put, which is a real one, the conflict is between Sorel and Montreal, and the result of the action taken with respect to Quebec was that a good deal of difficulty arose, but because contracts had been made the rates were reduced at Montreal to meet them, and of course in the end the business was unprofitable. To clothe the minister with this power to say yes or no, notwithstanding what the board may say, is to create a situation which, as I pointed out the other evening, would be intolerable. But it is not quite as bad as it was the other evening, since power to make by-laws is taken from the board and the minister and given to the governor in council.

Mr. HOWE: The matter of preventing one port from competing with another by cutting rates is one against which we can hardly legislate. We hope to correct that by having all the harbours under the one control. But I think my right hon. friend will agree that there must be some method of commuting charges, in various special circumstances where a charge is levied that is not justified even though it is under a tariff. We are trying to avoid setting up an inflexible machine to run a business which is highly competitive. I hardly think we can get along without the power, but I assure my right hon. friend that it will be administered very carefully.

Mr. BENNETT: I quite appreciate the point the minister makes, I followed him the other evening when he said that we have endeavoured by consolidating all these harbours under one management to obviate competition arising between ports. But this is placing the minister in a position that I think is almost intolerable, being subject to the pressure of commuting rates that have been levied properly at one port, say Montreal, and then Sorel introduces a lower rate and gets more business and at once application is made to the board to reduce the rates now being charged with respect to transactions that have passed through Montreal elevators. The minister can say he has no power

under the statute. But under this section the board says: Well, you have; all you have to do is say yes, and Mr. Jones says it is very important for him at the next election that this should be done. I merely state the cold, stark reality of these cases. It is not from any personal experience of that kind, I assure the minister, because the cases to which I refer, the competition between Quebec and Montreal and that movement of a few million bushels of grain, arose long prior to 1934 or 1935. Of course it was expected under the judgment of the board of railway commissioners that grain would move in large measure into the Quebec terminal, but it did not, and they had to make it cheaper to store it at Quebec than at Montreal. I still think the section is a bad one, but the minister says: Trust me and we will see that it is properly administered, which is the usual excuse made for the exercise of arbitrary power.

Section agreed to.

Progress reported.

## WAYS AND MEANS

### CUSTOMS TARIFF AMENDMENT

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

Customs tariff—267. Crude petroleum not subjected to any other process than natural weathering and removal of foreign matter and water, when imported by oil refiners to be refined in their own factories:—

(i) ·8155 specific gravity (42·0 A.P.I.) or heavier at 60 degrees Fahrenheit: British preferential tariff, free; intermediate tariff, free; general tariff, free.

(ii) Lighter than ·8155 specific gravity (42·0 A.P.I.) at 60 degrees Fahrenreit, per gallon: British preferential tariff, ⅛ cent; intermediate tariff, ½ cent; general tariff, 1 cent.

Mr. ROSS (Moose Jaw): I wish to draw the attention of the committee to some facts in connection with this item. It has been changed in the schedule. At one time it covered all crude petroleum entering Canada, ·7900 and lower in specific gravity. At the present time the item is split into two sections, the first section specifying ·8155 specific gravity, or 42·0 A.P.I., or heavier, and the second section specifying lighter than ·8155 or 42·0 A.P.I.

Crude oils coming into Canada are received by the refiners who transform them into refined petroleum products. There are in this country two classes of refineries, the small refinery or distillation plant, described by some people as a skimming plant, and the large oil refineries which have distillation and cracking equipment in connection therewith. Crude oil, heavier than 40 or 42 A.P.I. is used by the larger refineries equipped with these cracking systems. Crude oil, lighter than 40 or 42 A.P.I., is used by the small refineries equipped with only the distillation or skimming process. The change in the item places a half cent tariff against crude oil used by the smaller refineries.

For many years the larger refineries in Canada have had the greater part of Canadian business, and in the last few years, when there have been excessive tariffs against the importation of petroleum products from the United States they have practically had the market to themselves. During that time the smaller refineries started up, because under the low freight rates for crude oil they could import light crude oil which carried a greater percentage of gasoline, kerosene and distillate when used only for distillation purposes, they could thereby sell gasoline distillate and coal oil at lower prices. The large refinery gets about the same amount out of the heavier crude oil, when the cracking process is used.

It is almost too long a story to go into in detail, but we know that the oil and gasoline business is of great importance to practically every primary producer in Canada. However, we are pretty well in the hands of a monopoly, so far as the oil business is concerned. Any industry we can get to compete with the monopoly should be encouraged as much as possible by any government holding office in Canada. The tariff change will place the small refiner in a position where he will have to pay one-half cent per gallon more on his high grade crude oil. That will not put him out of business, but when one goes into the history of the oil business he finds that a few years ago, in an endeavour to stop the importation of light crude oil into Canada a submission was made to the board of railway commissioners to have the crude oil freight rate split at 40 degrees gravity, so that the railways would be able to charge a higher freight rate on the high grade crude oil than on the low grade product, and thereby to a large extent, if not completely, shut out the importation of high grade crude oil by small refineries.

Judgment was rendered on the application, the main point of the decision being that because parliament recognizes all crude oil as crude oil, and because we do not differentiate between low and high grades, the board of railway commissioners could not see its way clear to make any split in the rates. I am not greatly worried about the half cent tariff imposed under the item, because I believe I know the purpose of it. Some of the smaller refineries have been importing oil which they claimed was light crude, when in

fact it was not. It was what is known as spiked crude. That is gasoline with a certain amount of crude oil placed therein, so as to lower the specific gravity and place it in the category of crude oil shipped in under the crude oil rate. We know that has been done in the past, and I believe it is the purpose of the government to endeavour to stop that practice, because I understand it is not a practical proposition to spike oil at 42 or over in face of a one-half cent tariff. I suggest, however, that when we put a half cent tariff on crude oil we are going in a roundabout way to accomplish our purpose.

The principle is that of placing a tariff on a raw product to endeavour to stop smuggling of the finished product across the border. In other words, the Minister of Finance might as well put a tariff on hides to prevent someone from smuggling shoes across the border. I am exercised about the change because I am afraid that the moment the differentiation is made in the customs tariff between high and low grade crude oils the railways, either of their own volition or at the instigation of the large refineries in Canada, will again appear before the board of railway commissioners and ask that the rate be changed. If that should come about and the rate is changed on the higher grade crude oil, of necessity this will put the smaller refiner in Canada out of business. I warn the railway companies now that if any such procedure is taken, and if they go to the board of railway commissioners asking for a change in the crude oil rate, or to put a higher rate on high grade crude I, or some other person, will go before the board at the same time and ask for a reduction in freight rates, at least in western Canada, on all petroleum products.

The railway companies derive tremendous revenue from the shipment of petroleum products consumed in the Canadian west. In 1935 the Canadian National Railways and Canadian Pacific Railway combined gathered a revenue of about $6,700,000 in western Canada on the shipment of this commodity. They have an exorbitant rate on all petroleum products, whether moving from the American boundary, from the refineries in the middle west, from the great lakes to the west or from Vancouver to the east. As a matter of fact, that is how the large Canadian refinery has its opportunity to charge excess prices in the west for petroleum products, and the reason is this: Crude oil coming north from Oklahoma, for instance, carries a freight rate now of fifty-four cents per 100 pounds. Gasoline from the same group 3 carries a freight rate of 9·77 cents per gallon.

Mr. BENNETT: From Oklahoma to where?

Mr. ROSS (Moose Jaw): To Regina or Moose Jaw. The small refiner must bring his crude oil in at that fifty-four cents freight rate, but the large refiner is in a much better position. I speak with knowledge because I happen to have a large refinery in my riding. They carry on a very large refining business, buying their crude oil. I believe they have control of the crude oil that enters the Dominion of Canada at Coutts, Alberta.

Mr. BENNETT: They own wells in the United States at Oklahoma?

Mr. ROSS (Moose Jaw): Yes; there is a pipe line that comes up close to Coutts, and from that point they import their crude oil for their refinery at Moose Jaw at a rate of 23½ cents per 100 pounds. There is another rate of twenty-six cents per 100 pounds, which is made, I believe, because they compete with a pipe line from Cut Bank. So the large refinery is paying half the freight rate that the small refinery pays to-day. Now, when a large refinery can bring its crude oil in at a freight rate of twenty-six cents per 100 pounds, and the only competition it has from the outside is on gasoline which carries a freight rate of 9·77 cents per gallon, hon. members will realize that the large refinery has a tremendous advantage on the Canadian business.

Since I came to Ottawa this year I have been in touch with the railways to see if we could not get a better freight rate from Fort William and Port Arthur and from Vancouver, in order to have more competition with the refinery in the middle west, but their claim is that if that were done all freight rates in the west would have to be lowered in correspondence with these long haul rates, and that the railways would lose a tremendous amount of revenue which they are getting to-day. I have not pressed the point and I do not intend to do so, unless some move is made by the railways and others to endeavour to raise the rate on high grade crude in order to try to shut off the small refinery in the west. As I said a moment ago, I think the oil business in Canada is a tremendous monopoly. I believe that sincerely, and I want to give the committee one or two figures which, I think, will show to some extent at least the advantage which is being taken of the people of Canada by this monopolist industry.

I asked the customs department yesterday or the day before to procure for me prices

on gasoline at certain points in the United States. I asked them to give me the export rate on gasoline of 64 to 66 gravity, out of New York, and the price they gave me was 6½ cents per gallon for 60 to 64 gravity and 6¾ cents per gallon for 65 and up. Those are all good gasolines. May I say, first, that there is a certain method of handling gasoline which is generally adopted. Either an export price is taken, or a tank car price in an internal market. Then, a set spread is allowed for the distributors between tank car and tank wagon and between tank wagon and filling station, or service station as it is called. These spreads are not the same everywhere, but they are very closely the same in most places.

In New York you take 6¾ cents per gallon as the export price for good gasoline. You add to that a spread of 3½ cents, which is the spread between tank car and tank wagon. You add to that an additional 3½ cents, which is the spread between tank wagon and service station through the pump. You add to that the tax in the state of New York of five cents per gallon. That gives you a price of 18·75 cents, or 18¾ cents per gallon. That is the exact price which the person in New York who pulls up at the service station pays for his gasoline.

Mr. MacNICOL: Imperial or United States gallons?

Mr. ROSS (Moose Jaw): United States gallons, but it makes no difference because I am going to give instances of what happens in each case.

In Chicago, if you wish to purchase a car of gasoline of 64 to 66 gravity you pay 5½ cents per gallon in the tank car. Chicago has a spread of three cents per gallon between tank wagon and tank car, and a spread of four cents between tank wagon and service station. The tax is four cents. That gives 16½ cents as the price per gallon of gasoline at the filling station in Chicago.

Now, we will take prices of gasoline in Canada, in Canadian gallons. I asked the customs department what the export price of gasoline was from California, and I found that it was five cents per gallon. I also found out the freight rates on gasoline. I found that if you wanted to ship gasoline from California through the Panama canal to north Atlantic ports it would cost eighty-five cents per barrel or just over two cents per gallon. The shorter haul by boat from California to Vancouver amounts to about one cent per gallon. To the price of five cents per gallon in California, there must be added one cent per gallon in Canada because five Canadian gallons are equal to six American gallons. In other words, a five cent American gallon is a six cent Canadian gallon. Add that one cent; add ont cent per gallon for freight, one cent for duty, four cents for the spread between tank car and tank wagon, four cents for the spread between tank wagon and the service station; add the tax of seven cents, and that totals up to twenty-three cents per gallon at the service station, but the actual service station price in Vancouver is twenty-nine cents per gallon, or a difference of six cents.

Go to Nova Scotia, to Halifax, and you will find that the export price of gasoline ex New York is 6·50 to 6·75 cents per gallon, depending upon the grade. Take it at 6·50 cents per gallon; transposing that to Canadian gallons you get a price of 7·80 cents per Canadian gallon. Add one cent freight, one cent duty, four cents for the spread between tank car and tank wagon, four cents for the spread between tank wagon and service station, eight cents for tax, and you have a price of 26·30 cents per gallon at the service station in Halifax, as against the price actually charged of 29·50 cents. This shows that American companies selling gasoline in Canada are charging the Canadian consumer from three to six cents per gallon more than they charge their own people in the United States. In the middle west we have a differential in the freight rate between the crude and the finished product that gives them an opportunity to do that, but on the coast there is not the same opportunity. This monopoly is so strongly entrenched in this country that anyone who tries to buck it is broken before he goes very far. That has happened to many companies in the past.

I am informed that gasoline can be purchased at Coutts, Alberta, duty paid, for 5½ cents per American gallon or 6·60 cents per Canadian gallon. The freight rate from Coutts to Moose Jaw is five cents per gallon, which makes a total of 11·60 cents. The posted price of gasoline in tank car lots at Moose Jaw is round 17·25 cents. In that part of Canada there is no distributing agency large enough to compete against these large companies, and they are taking full advantage of this fact from one end of the dominion to the other. In an effort to stop the bringing in of spiked crude, some time ago the customs department put into force regulations whereby any importer of high grade crude oil would have to show the name of the producer, the location of the well, the name and number of the well, the A.P.I.

gravity as the oil left the well or the end of the pipe line and the analysis of the oil in the car.

Mr BENNETT: Was that not done primarily in connection with water shipments that came into Montreal from Roumania and Russia?

Mr. DONNELLY: It was done in 1934.

Mr. ROSS (Moose Jaw): I am referring to spiked crude. I think the customs department had had some trouble with some of the smaller refineries which were importing this stuff from across the line.

Mr. BENNETT: I think it was originally in connection with water importations into Montreal.

Mr. ROSS (Moose Jaw): That may be, but I do not know. As I say, I feel that we have been in the hands of a monopoly and I am afraid that some people in this country will try to use this changed schedule in an effort to shut out the small refineries. Naturally I do not want to see that done as I believe they offer the only real competition to the large oil companies. A half cent per gallon will not shut them out although it will make some little difference. It may enable the customs department better to handle their business, but I do not know. I had intended to move an amendment to this item, but I shall not do so at this time. I do not believe my judgment is infallible; I may be wrong and these people may not be contemplating doing what I think they are. However I want to give warning that should there be a change in the freight rate on this high grade crude or should there be put into effect any regulations which would tend to stop the importation of this high grade crude oil, when the next budget is brought down I shall move an amendment. I want to serve warning on the railways of Canada and the large refineries that if they make any move towards raising the freight rate on this high grade crude, an application will be made to the board of railway commissioners to lower the freight rates on gasoline and petroleum products throughout western Canada

With the wide spread there is in gasoline prices, it is a wonder to me that Premier Pattullo of British Columbia is forced to look round for money to pay his interest charges. All he has to do is to step into the gasoline business and he will get all the money he needs at the present time. The people are paying a tremendous amount of money to the oil companies for no service at all; the companies are well paid in the price they get, without the six cents per gallon. As I say, I do not intend to move an amendment at this time, but I give warning that one will be moved another year if any change is made in the freight rates or the regulations of the department which would tend to stop the importation of light crude oil used by the small refiners.

Mr. DOUGLAS: I am very glad that the hon. member for Moose Jaw (Mr. Ross) has presented this case. He is to some extent an expert on gas, I mean in liquid form. I know he has presented the case much better than I could and because he has done so, it will not be necessary for me to deal with the technical side with which I am not quite so familiar. I want to approach this matter from another angle. Prior to the bringing down of the budget the cut-off point was 47·6, whereas it is now proposed that it shall be 42 gravity. This means that the light crude oil which hitherto came in free of duty will now be subject to a duty of one-half cent per gallon. The large refiners have cracking plants in which they can handle heavy crude oil, but scattered throughout Manitoba and Saskatchewan are a number of small refineries, really just skimming plants, which are not capable of handling the heavy crude oil. This change in the tariff will mean an increase in their raw material of about one-half cent per gallon, and I am told that this will mean an increase of one cent per gallon in the price of the gasoline they sell. I should like to quote from the Leader-Post of May 16 which contains an article by Mr. Grant Dexter, one of our brilliant young journalists in the west. He says:

> There are a number of skimming plants in operation in Manitoba and Saskatchewan. Some of the largest of them are farmers' cooperatives. The half a cent tariff on their raw material will mean at least a cent, possibly more, on the gasoline. More than that, it is feared that once parliament declares these light crudes not to qualify as bona fide crude oils, they will take the gasoline freight rate instead of the crude oil rate. The difference is more than four cents a gallon.

Mr. DUNNING: If my hon. friend will permit me, I should like at this point to point out something which will perhaps make the matter easier for him. This item does not involve a declaration by parliament that the lighter crude is not a crude oil. In fact, the two are kept together in the one item, crude petroleum.

Mr. DOUGLAS: I realize that.

Mr. DUNNING: It is a very important distinction.

Mr. DOUGLAS: I am merely pointing out what is thought in some quarters. This is not giving any licence to the railways to make that decision. Still there is fear that that will be done. It is feared to some extent in the district from which I come. We have at least half a dozen small refineries. I hold in my hand a sheaf of telegrams and letters which show that these people fear that very thing. That fear will have a twofold effect: first of all, upon these small refineries, and there are quite a number of them, which are owned by local business men, and into which, even in these bad years, they have put their extra bit of capital; they fear that these refineries will be subject to the half cent duty and be put out of business. As a result of the price spreads investigation we have heard a great deal in the past two years about monopoly and about getting away from monopoly, and in no way could we better get away from monopoly than by encouraging small business men to develop local industries. But apparently we are to go about the matter by placing a duty on light crude and not on heavy crude, and consequently perpetrating an act of favouritism in behalf of the large oil concerns while discriminating against these small refineries. The second effect has to do with the fact that many of these skimming plants are owned by farmers' cooperatives. They provide at as low a cost as possible gasoline for the farmers of southern Saskatchewan, who, as the Minister of Finance knows, to a very large extent are power farmers. This will mean for them an increase in the costs of farm production. It will mean that they must pay more for their gasoline, so that it will cost them more to put in their crop and more to take it off. It means more. It may mean that many of these small farmers' cooperative refineries that have been built through the years will now be put out of business.

What is the reason for the imposition of this duty? Two reasons are advanced. The first is that much of the crude oil coming into the country is not truly what is called light crude but is a synthetic crude or a freak crude; that a distillate has been put in and consequently this synthetic crude has a larger recovery than the pure heavy crude oil. With reference to that argument, it seems to me totally unfair that in order to get at the people who are shipping in a synthetic crude we are to penalize those who are sending in a pure crude. A more direct method would be better. An analysis of the oil could be demanded at the point of entry into the country; certain steps could be taken to prevent the incoming of synthetic crudes.

[Mr. Dunning.]

Mr. DUNNING: What steps?

Mr. DOUGLAS: As I suggested, an analysis of the oil could be required.

Mr. DUNNING: That does not help you.

Mr. DOUGLAS: That the analysis of the oil shall be, as the hon. member for Moose Jaw (Mr. Ross) suggested, the same as the analysis at the mouth of the well.

Mr. DUNNING: That does not help you.

Mr. DOUGLAS: Surely the Minister of Finance does not suggest that it is absolutely impossible to determine whether the oil is a free crude or a genuine crude.

Mr. DUNNING: Later my hon. friend will probably permit me to tell him.

Mr. DOUGLAS: Certainly. It would seem that a much more direct method could be found, one which would deal directly with those who are bringing in freak crudes, yet would not penalize the people who are bringing in genuine light crude oil. What we are about to do is, in order to get at one class of people, to punish another class of people and ruin a small industry which is growing up in local centres.

Another claim which is made is that these refineries have produced a lower grade of gasoline which is harmful to the cars and tractors of those who use it, although they are unaware of the fact. This could be overcome by the provincial governments requiring that the test of the gasoline be placed on the gasoline tanks, or that those handling gasoline should be compelled to post a notice of the analytical content of the gasoline they are selling. Again it seems to me that the more direct method would be the better one, rather than an indirect method which is going to place a burden not only upon those who deserve it, but upon those who are endeavouring to render a very fine service.

The placing of this half cent a gallon on this light crude oil is going to work a serious handicap on the small refinery and on the farmers' cooperatives. It would look to many people, whether the Minister of Finance agrees with us or not, as if it were a direct sop to the large oil concerns in return for the reduction in the duty on gasoline and distillate. It would look to many as though the voice may be the voice of the government but the hand is the hand of the large oil concerns.

Mr. DUNNING: That is pretty cheap.

Mr. DOUGLAS: I do not think so.

Mr. DUNNING: Oh, yes, that is pretty cheap.

Mr. DOUGLAS: This is apparent, that, as the hon. member for Moose Jaw said, there is already an oil monopoly. This half cent per gallon duty on light crude oil will make that monopoly complete. If any competition has grown up in the last few years, this half cent will do very much to remove it. The hon. member for Moose Jaw said that he is not prepared to move an amendment; he feels that it should be left until next year. I think, if it is left until next year, in all probability it will not be of much use; these small refineries that have recently grown up, some of them having been built as recently as last winter and this spring, will be put out of business. I feel that the time has come to take a definite stand on this item, and I think the members of the committee should consider it very seriously. With that in mind I beg leave to move, seconded by the member for Rosetown-Biggar (Mr. Coldwell) that this item be restored to its former level. I therefore move this amendment:

That the duty on crude petroleum lighter than ·8155 specific gravity at 60 degrees Fahrenheit, listed in item 267 (ii) be removed, and that this item be restored to the free list as heretofore.

Mr. DUNNING: I shall not at the moment raise any question of order with respect to the amendment which has just been moved. I am not sure as to its order. Possibly the hon. member who moved it might have been willing to listen to the facts from the point of view of the government and of the minister before reaching the conclusion that, as he expresses it, while the voice is the voice of the government, the hand is the hand of the big oil companies. However we are accustomed to that from that particular part of the house, and I will pass it by, except to say this—

Mr. BENNETT: It used to come from this side, though.

Mr. DUNNING —that if my hon. friend has been observant at all since the budget, he will find that more public criticism of the budget in relation to this petroleum schedule has come from the big oil companies than from anyone else, and that criticism is apparent all over the country. The schedule which is now before the committee, and the first item of which is under discussion, is a complete petroleum schedule, following the most exhaustive inquiry into the oil business which has ever been conducted in Canada, as I think the volumes comprising the board's report will testify. A serious effort has been made by the board to arrive at the facts regarding an industry which is most complex in its various aspects, and while I hold no brief for the tariff board I can say this, after a close study of the report, that I commend most highly both the manner in which the investigation has been conducted and the thorough manner in which it has been reported upon.

I fully expected someone to take the position which has been taken with respect to this single item of lighter crudes, because it is the one item in the schedule in connection with which there is an increase of duty. My hon. friend who says that the voice is the voice of the government while the hand is the hand of the oil companies takes no account, of course, of the fact that the duty in which the big oil companies are mainly interested, namely the duty on gasoline, has been reduced by this government from two and a half cents to one cent per gallon. He can cast reflections on the good faith of the government with respect to half a cent per gallon on certain crude oil, which is part of an item representing an infinitesimal proportion of the use of this commodity by Canadians, forgetting altogether the overwhelming evidence on the other side which is found in the fact that the duty on the article which is most truly competitive from the standpoint of most Canadian consumers has been reduced, as I say, from 2½ cents per gallon to one cent per gallon.

Now a word with respect to the facts, and I am going to speak very plainly, just as plainly as the legal requirement of confidence on the part of the tariff board with respect to certain information placed in their hands by the companies will permit. As is well known, the tariff board may accept and indeed may force from companies coming before it information which it treats in confidence because of its competitive nature, but it is at liberty to communicate that information to the minister. I have not the right to pass it on. I have the right, however, to tell this house the honest conclusions I have reached with respect to it. There are some facts, of course, that are public and that speak for themselves in connection with these small so-called refineries. They are not really refineries at all in any proper sense of the term. They do not undertake the refining process in connection with oil. The name "skimming plant" correctly describes them. That, however, is a legitimate operation if carried on in connection with a legitimate commodity recognized by Canadian law.

These plants are present mainly in one section of Canada, due to the peculiar combination of freight rate matters mentioned by my hon. friend from Moose Jaw. The majority of them have been guilty of defrauding the customs of Canada and have settled for very considerable sums for so doing. A number of cases in that connection are still pending, and I know I am within the mark in saying that over $50,000 is being collected from these companies as a result of their fraudulent practices in connection with the importation of what they described as crude oil and which, under the specific gravity test in the old tariff, it was not possible accurately to classify by means of the ordinary methods.

Mr. BENNETT: Crude oil in its natural state.

Mr. DUNNING: Crude oil in its natural state, but the gravity test as provided offered no means by which the customs authorities could accurately determine whether or not it was in its natural state.

Mr. MacNICOL: It was just bootlegged gasoline.

Mr. DUNNING: Bootlegged gasoline, under the guise of mixing it with a certain amount of crude oil. More than that: My hon. friends who speak for the small refineries as the great saviours of the consumers are not, I know, aware of the facts. The government is much more interested in the consumer than in either the big or the small oil refinery. That is why the government took care to introduce the possibility of the competitive element in connection with the finished product from outside the country, instead of depending upon a quasi industry—I do not know whether or not that is a good description—which in its turn, if it was honest, depended upon access to a very small proportion of the total production of crude oil in the United States. Less than 2½ per cent of the total production of crude in the United States is of this lighter variety which lends itself to the skimming process, and of that 2½ per cent only a very small proportion is geographically available, from a freight rate cost point of view, to plants located in the western part of the Dominion of Canada.

My hon. friend from Weyburn says these plants are owned by businessmen, who put their money into them. I will tell him what happened in connection with at least ten of those plants. Probably they were formed by local businessmen and farmers, but they were sold out to a concern called Petroleum Securities Limited, a holding company which owns ten of them at this moment and which, to my certain knowledge, is conducting a more profitable business than any other business in Canada with which I am acquainted. I can say that without revealing the figures which are on record, in a confidential way, in the hands of the tariff board; I can make that general statement, I think, without breaking any confidence. Why is that? It is because even in connection with natural light crude, freak crude if you will but natural crude, not only is the cost of the operation of skimming so much less than the cost of the operation of cracking; there is also, in the very nature of things, a much higher percentage of gasoline in the light crude than in the heavier crude which is the normal production of the United States from which we procure most of our crude oil.

My hon. friend regretted this half cent. Why, Mr. Chairman, for genuine light crude these people pay a premium amounting to many times this half cent. The half cent differential is not going to put any honest skimming operation out of business. My hon. friend need not fear that, but I will tell him what it does accomplish. It sets a dividing gravity point in the classification of crude oil for customs purposes which will absolutely end the business of bringing in doctored crude oil, bootlegged gasoline, or spiked crude oil, to use some of the descriptions given by hon. members. Why will it do that? Because this doctored crude oil just will not pay under that classification, that is all. My hon. friend says some way should be found, by analysis, to determine the dividing line. Well, Mr. Chairman, that is the way the tariff board is now recommending, and that is the way we have it here:

> Crude petroleum not subjected to any other process than natural weathering and removal of foreign matter and water, when imported by oil refiners to be refined in their own factories—

Then follow the two classifications:

> (i) ·8155 specific gravity (42·0 A.P.I.) or heavier at 60 degrees Fahrenheit—

The letters A.P.I. mean American Petroleum Institute and constitute the recognized method of classifying petroleum generally in use in the petroleum markets of the world to-day. and particularly in the United States. Then follows the second classification:

> (ii) Lighter than ·8155 specific gravity (42·0 A.P.I.) at 60 degrees Fahrenheit, per gallon ½ cent.

There we set up the dividing point, and we set it up because experience indicates that this

classification will have the effect desired, of preventing fraud on the Canadian customs in connection with the importation of crude oil. It will strengthen the administration materially. There is nothing sinister intended by way of either helping the large refineries to abolish the smaller ones or vice versa. After looking over the evidence that I have looked over and the confidential part of the tariff board report I do not know of any business in Canada in which I could engage to-day with promise of greater, more unreasonable profit than by engaging in the so called refining business with a skimming plant in western Canada under the tariff as my hon. friend would have it by his amendment. They can operate successfully under the shelter of the price structure which must be maintained by industries which require to instal much more expensive cracking machinery to deal with the heavier crudes. It is all too true that they can operate much more profitably by reason of the action of the big refiners in relation to the public which has been the subject of criticism in this committee tou-day. The big refiners have held a price umbrella over these skimming plants and made it possible for them to make inordinate profits. Even if that umbrella were not there, there is still room under the old tariff designation, restoration of which is proposed in the amendment moved by the hon. member for Weyburn (Mr. Douglas), for what I can only describe as extortionate profits on the part of those dealing with light or crude oils by means of the skimming process.

Nothing has given me more anxiety in dealing with the tariff as proposed in the budget than this petroleum schedule. It is one of the most important. Of course I recognize the kind of attack I am getting from my friends. I am being depicted in my hon friend's own constituency as the tool of the big refiners. And down here the big refiners are abusing the government and myself and claiming that we are putting that great industry out of business. We have no such intention. I am satisfied that the tariff board had no such intention, in the report which I commend to the study of hon. members. I appreciate the consideration of the hon. member for Moose Jaw (Mr. Ross) in the matter because I know how strongly he feels, but I will say this, and I have prepared it carefully so that there may be no misunderstanding of what I say; I propose to ask the tariff board to keep in touch with the developments which follow the changes in duty proposed in the petroleum schedule; particularly to keep informed as to the price situation and as to the performance of the major companies in rectifying the uneconomic conditions of distribution, and to study the relation of railway and other transportation to the petroleum industry. The changes proposed in the present schedule seem to call for price adjustments in all parts of Canada, except possibly the most populous parts of Ontario and Quebec, where of course other factors enter. If the results which we anticipate do not follow, then we shall expect to be able on the basis of information supplied by the tariff board to come to proper conclusions as to the course which ought to be pursued.

Even a cursory reading of the tariff board report, which has been tabled in the house—too voluminous, I know, for multiplication as to numbers, and too voluminous for very many hon. members to have studied or even to have had sufficient access to to permit of study—reveals that the board found it quite impossible to understand the distribution conditions in British Columbia to which the hon. member for Moose Jaw referred. And there are many other features. This is an industry which is vitally important to Canada, not only as affecting the consumers but also as an industry employing large numbers of people from one end of the country to the other. The government is very desirous that no injustice and no injury should be done to this industry by governmental action. But we are also anxious that to the facts which stand out in the tariff board report due heed should be given by all concerned. Personally I am convinced, after careful examination of information which, as I say, is not available in the tariff board report itself, that it is far better to deal on a sound basis with what I regard—yes, as a racket; and in that connection I want to make specific exception of the few farmers' companies—there are only very few outside of the combination of ten of which I speak, which have been bought up at fancy prices from their original owners and are now under the control of the holding company to which I have referred; outside of that group there are bona fide farmers' skimming plants in operation. I am convinced that by the action we are taking to-day we shall help materially to see to it that further developments along that line are bona fide and are not wrapped up with the kind of thing which has been going on and which as I say has resulted in the collection already of some $50,000 penalties for defrauding the customs of Canada.

I can say nothing further at the moment. I have a very great volume of information here and can only say once more that the

government approached the matter, as I am convinced the tariff board did, with the idea of doing a constructive piece of work from the point of view of the consumers of these products in Canada, and with a view to the best interests of the industry itself.

The CHAIRMAN: The amendment before the committee, moved by Mr. Douglas, relating to item 267, paragraph (ii) is as follows:

That the duty on crude petroleum lighter than ·8155 specific gravity at 60 degrees Fahrenheit, as listed in item 267 (ii) be removed, and that this item be restored to the free list as heretofore.

Mr. DUNNING: I am trying to look at the bearing of that upon the item.

Mr. BENNETT: It is within the item.

The CHAIRMAN: I am of the opinion that this amendment is out of order. Paragraph 552, page 164 of Beauchesne's Parliamentary Rules and Forms, 1927, states:

Though it is the function of the committee of ways and means to impose rather than to repeal taxes, examples of the repeal of taxation effected in this committee are to be found upon the journals. Proposals for the variation or modification of taxation can therefore be made in the committee; but these proposals must be grafted upon the financial scheme submitted by the government, and must not affect the balance of ways and means voted for the service of the year. Amendments, therefore, can be proposed to substitute another tax, of equivalent amount, for that proposed by the government, as, for instance, a proposal to substitute probate and legacy duty on real property as an alternative for an inhabited house duty, the necessity of new taxation, to that extent, being already declared on behalf of the crown.

And paragraph 556 on page 165:

The house can make amendments which diminish the amount of reduction of taxation, or postpone the day when the reduction takes place, although the amendments may increase to that extent the charges proposed to be levied upon the people.

So long as an existing tax is not increased, any modification of the proposed reduction may be introduced in the committee on the bill, and is regarded as a question, not for increasing the charge upon the people but for determining to what extent such charge shall be reduced.

My ruling therefore is that the amendment is out of order.

Mr. BENNETT: The Chairman having made a ruling I am bound to obey it, but it has very serious consequences, and should be more carefully considered by Mr. Speaker at a later date. It is apparent that in this house from time to time similar resolutions have been moved in committee. From what was said, however, I gather Mr. Chairman is of the opinion that the amendment could properly be moved when the bill is in committee. If that is so, then it is merely a matter of delaying the motion. Perhaps that is the proper course to pursue. While on the resolution it might be improper to move the amendment, certainly when the bill is in committee it is competent to move a resolution to reduce an item or even to make it free. The amendment is:

That the duty on crude petroleum lighter than ·8155 specific gravity at 60 degrees Fahrenheit, as listed in item 267, section (ii), be removed and this item be restored to the free list as heretofore.

Perhaps it might be clearer to say that the word "free" be substituted.

Mr. DUNNING: All that is necessary is to strike out the whole item.

Mr. BENNETT: Yes, but the sense of the amendment is quite apparent. There is authority, I believe, for the view that in committee of the whole house an amendment of this kind may be questionable. In some journals hon. members will find that similar resolutions have been made, but obviously, I submit with deference, when the bill reaches committee stage in the house there can be no doubt as to the right of an hon. member to move an amendment.

Mr. DUNNING: I am inclined to agree that it could be moved at the proper time, but I do not question Mr. Chairman's ruling.

Mr. MAYBANK: When I decided to speak upon this item I did not know that there might be an amendment before the committee. May I say that I regard with considerable dubiety any increase in the tariff such as is proposed. I might have questioned, for a time, as to whether I should have supported such an amendment as has just been ruled out, but after the manner in which the amendment was placed before the committee, if I had any doubts at all the mover of the amendment completely set them at rest by the manner in which he presented his argument. I feel, with the Minister of Finance, that the manner of the hon. gentleman who has just sat down, in presenting arguments against government measures, is not merely ungenerous, but typically ungenerous.

Mr. BENNETT: The hon. member should have been here in the last five years.

Mr. MAYBANK: Of course the objects during the last five years were entirely different objects to shoot at, and probably deserved all the darts that could be thrown at them.

Mr. BENNETT: Quite so; that is a general observation.

Mr. MAYBANK: I am glad that the leader of the opposition has spoken, because I tell him frankly that after the manner in which the country was handled by him in the last five years there would not be enough darts to be thrown at him that could properly stick. There are not enough darts.

Mr. BENNETT: So generous!

Mr. MAYBANK: The country was in a worse condition in the last five years than it was ever in before, or will be again.

Mr. STEWART: Like the rest of the world.

Mr. MacNICOL: Do not be so conclusive.

Mr. MAYBANK: If the right hon. member will undertake to give his reply in due course, well and good. What I am saying to him now, with all the force possible, is said as a result of an interruption which he had no right to make.

Mr. BENNETT: That is generosity!

Mr. MAYBANK: While he has been in this house a long time, and I have been in it only a short time, it may be just as well even at his time of life to learn what it is to be courteous.

Mr. MacNICOL: Is this not all out of order?

Mr. MAYBANK: And I would like to add this—

Mr. BENNETT: This is wholly out of order. If anybody but a supporter of the government did it, a question of order would be raised.

Mr. ELLIOTT (Middlesex): That is out of order.

Mr. BENNETT: The other evening the hon. member directed attention to the fact that the discussion was not relevant, and it happened to affect a member of the government. I now call upon the chair to apply the same principle.

Mr. LAPOINTE (Quebec East): That is out of order; it is a reflection on the chair.

Mr. BENNETT: No. I ask the chairman to apply the same rule.

Mr. LAPOINTE (Quebec East): Is it a reflection on the chair.

The CHAIRMAN: I am of the opinion that the first hon. member to be out of order is the leader of the opposition. I think the hon. member for Winnipeg South Centre, in some of his replies, was out of order, and also the hon. member for Davenport.

Mr. MacNICOL: I just objected to the abuse of the hon. member.



The CHAIRMAN: They are all out of order.

Mr. MAYBANK: If I may proceed I would simply point out that there are some people who desire to slap other persons, but they make certain that the other person's hands are tied and that he cannot slap back. I think probably that is already apparent.

With reference to the amendment and the attack upon the Minister of Finance, may I say that while I do not like the increase in the tariff, no person except one who was trying to be captious could make a statement such as was made by the hon. member, namely that while this was the voice of the government it was the hand of the oil companies. Of course that is nonsense.

Nevertheless I wish to point out the situation with respect to certain cooperative concerns in western Canada. I believe their plants may be described as skimming plants. I do not know whether they have been operating in some improper fashion; of course the confidential information to which the minister has referred is not in my possession. But I know that these cooperative concerns are dear to the heart of the farmer, and he receives great benefit from them. I think it must be admitted that a half cent duty will make a great difference to those cooperative enterprises.

But that is not my point. A couple of years ago the railway companies approached the board of railway commissioners asking for an increase in the freight rates on crude oil of a certain class, that is the class of oil with which we are now dealing. Their proposition was that as the crude oil in question is a little nearer gasoline the freight rate ought to be nearer the rate charged on gasoline. Substantially that was the argument adduced. The answer of the railway commission was in the negative, and the rate sought by the railway companies was not allowed. The reason was that there was not any classification of crude oils. Crude oil was simply crude oil, and the rate applicable was the rate on crude oil.

In the present instance we are making a division or a classification. If the case of the railway companies were being presented to-morrow for the first time, instead of in 1934, the judgment of the railway commission could not be given on the same grounds. In 1934 the commission said that they could not make a division and that crude oil was just crude oil. If the application were made to-morrow the commission could not make the same answer. Therefore I say that in the present instance we are making it possible for the railway companies to ask for an

increase in freight rates and, if we may judge from the past decisions, it is almost certain that the increase will be granted.

Mr. DUNNING: Has my hon. friend read the judgment in detail?

Mr. MAYBANK: Yes, and I think I am giving a fair interpretation of it. Of course I know it is open to other interpretations and that my own interpretation is not necessarily correct. I know that the railway commission is the body which is charged with the duty and is capable of interpreting its own judgments, but I think any person reading the judgment will see the danger to which I am referring, and the danger of my interpretation being right. That is the point. You cannot be certain until you are back inside that court again what interpretation will be put upon it, but there is that danger I have pointed out. If the railways make that application over again and get an increase in freight rates, the cooperative to which I have referred are definitely and finally out of business. That is the serious aspect of the situation. I am gratified by the explanation given by the minister, but I am wondering whether he could not go this much further and give this committee some assurance that we can count upon at least the same railway rate. I think we can stand half a cent on the tariff, but can the minister give us the assurance that we can count upon the same railway rate during this year, within which, as he says, this industry will be under constant observation. It seems to me that if we could be sure of that we would not need to worry, but with this danger hanging over some of these concerns the situation is very serious indeed. It is not simply putting half a cent on the tariff that we have to fear, but whether or not by reason of the division we thus make we may be leading to something which is much worse still. I would be very much happier if the minister could add to what he has already said by giving us some assurance along that line.

Mr. DUNNING: That is a fair question and one which, of course, gives concern. It is difficult to give such an assurance as my hon. friend from Winnipeg South Centre requests, but only for the reason that such matters are by law under the jurisdiction of the board of railway commissioners for Canada, but for the further reason that the rate affected is, of course, an international rate, a combination freight rate, and there are possibilities because of that fact. I would, however, point out that so far from the new tariff item providing greater grounds for distinction from the freight rate point of view, I am of opinion that it provides less ground than the tariff which it is replacing, for the reason that there are three separate crude oil items in the former tariff effective up to May 1, and existing at the time the ruling with which my hon. friend is familiar was given by the board of railway commissioners. That is to say, there was in the former tariff much greater ground in that the crude item was separated into three items with different rates of duty than there is when the crude is contained as it is in the new tariff in a single item. I could, of course, only argue as to what view the board of railway commissioners would be likely to take, but I can repeat again what I said so carefully a little while ago. I propose to ask the tariff board to keep in touch with the developments which follow the changes in duty proposed in the petroleum schedule, and particularly to keep informed as to the price situation and as to the performance of the major companies in rectifying the uneconomic conditions of distribution, and to study the relation of railway and other transportation to the petroleum industry.

My hon. friend can be assured of this, that there will be very keen interest on the part of this government in any application for a change of freight rates in respect of this particular item. I think he does not expect me to go further than that. It is difficult to indicate what action could be taken, but we are keenly interested, and I know that he and others in this committee will hold me responsible one year from now for whatever may have happened in the interval of a nature which does not conform to the statement I have just made.

Mr. PERLEY (Qu'Appelle): It is not very often that I find myself in accord with the hon. member for Moose Jaw (Mr. Ross), but I am inclined to agree very much with what, as a gas expert, he has stated this afternoon.

I was also very much interested in the statement made by the minister. I think every government meets with one difficulty when it comes to deal with tariffs, and that is the possibility of misunderstanding on the part of the consuming public.

Freight rates, as the hon. member for Winnipeg South Centre has said, no doubt enter into this question. As the minister has stated, the change in the tariff under the United States agreement was well received, and the farmers of the west thought they were going to get their gasoline cheaper, which is what they are primarily interested in, but they regret that the increase in the sales tax will practically absorb any reduction that may come about in the price of gasoline as a result of the Canada-United States trade agreement.

There is a feeling prevailing among the farmers of the west that this change in the tariff discriminates against the small refineries, of which there is a large number in Saskatchewan, as we all know. The system of refining by the small refineries is a skimming process, and is not conducive to getting the best results or as complete a separation as the cracking process used by the large refineries. The farmers of the west consider that the large companies have a decided advantage in that respect, and they believe that the cost to the consumer will be increased in the neighbourhood of one cent per gallon; that is the increased cost of gasoline and distillate put out by the small refineries.

But my chief purpose in rising this afternoon was to bring to the attention of the minister one or two protests that I have received from the west. I hold in my hand a resolution which was passed at a meeting of the Orangeville Cooperative Association Limited, which is an organization of the farmers in the district around Moosomin and Rocanville, a very large district. This is a very active organization, the president of which is Herbert C. Watson, and the secretary, George Burden. The resolution passed by this association on May 14, 1936, reads as follows:

Whereas the tariff on crude oil entering Canada from the United States has been changed from the cut-off point of 47·6 gravity to 42·0 A.P.I. gravity, or lighter, we protest this as being very unfair to the small refineries as it will increase the cost of production at least one cent per gallon on gasoline and distillate to them by having to pay this one-half cent per gallon tax. The major companies will still get theirs duty free and it appears like discrimination against the minor ones.

Mr. DUNNING: Could the hon. member tell me from what small refinery that particular farmers' cooperative obtains its supplies?

Mr. PERLEY (Qu'Appelle): I assume it is the refinery in Regina.

Mr. DUNNING: Is my hon. friend certain of that?

Mr. PERLEY (Qu'Appelle): This particular cooperative association operates in the eastern part of the province, and I am sure they get their gasoline and distillate from the refinery in Regina. I know in my own town of Wolseley it is delivered in tanks from that point.

Mr. DUNNING: I thought that as it was so far east it would likely come from Winnipeg.

Mr. PERLEY (Qu'Appelle): No, I think it comes from Regina. I know they all have their tanks delivering through that district from the Regina refinery. I have had several other protests from similar organizations and individual farmers, and I hope due consideration will be given to them and possibly some reduction made in the duty.

Mr. DUNNING: I should like to make it doubly clear that in my remarks this afternoon with regard to practices contrary to law I did not include the cooperative enterprises to which my hon. friend has reference, and particularly the one which we know of officially as the consumers' cooperative refinery at Regina. I did not include that one in the grouping of ten of which I spoke as being controlled by one holding company. However, it is indisputable that the profits are enormous, so much so that had the one-half cent per gallon duty been in operation it would have taken but a small proportion of the profits actually made. I believe the basis of this business is the passing of the profits along to the shareholder consumers.

Mr. BENNETT: Are they included in the importers of crude which really was a mixture of gasoline and crude?

Mr. DUNNING: We do not know of any instance in connection with the consumers' cooperative.

Mr. PERLEY (Qu'Appelle): May I say that the letter accompanying these protests did mention consumers' cooperative at Regina.

Mr. DUNNING: That is the source of supply in that case.

Mr. COLDWELL: Mr. Chairman, if abuses existed in connection with the ten refineries to which the minister has referred, it is unfortunate that this particular method has been adopted to rectify the condition. Those of us from western Canada who are not associated with the party opposite are interested in seeing that nothing is done to impose higher tariffs on the various commodities in use on the prairies and throughout Canada. It seems to me that this method of dealing with an alleged abuse is fundamentally wrong. I think the minister and the government must take some notice of the very widespread feeling that exists that Canada is in the hands of several large oil concerns, one of which, it is frequently stated —I have not the proof for the statement, although I have it on good authority—controls between seventy and eighty per cent of the oil business of the country. The people of Canada who are consumers of gasoline are puzzled by the very conditions which the minister noted a few moments ago in connection with the varying price levels in various parts of the country and the varia-

tions in prices referred to by the hon. member for Moose Jaw (Mr. Ross) in the central prairies and British Columbia and the Atlantic area and Ontario. I was glad to hear the minister say that the criticism which he made does not hold good with regard to the consumers' refineries cooperative association at Regina.

Mr. DUNNING: With respect to evil practices.

Mr. COLDWELL: These cooperative associations for the handling of gas and oil have grown up because the people using petroleum products desired to find some method of getting around this great monopoly. I should have liked to see this difficulty met in another way. The amendment has been ruled out of order, but I believe the minister would be well advised to consider a different method of handling this particular situation. He would be well advised from the point of view of the government, in which I am not particularly interested, and from the point of view of the creation of general harmony in the country in which we live, to reconsider this item carefully. I am quite sure that the fact that the people regard the country as being in the hands of a great petroleum and oil monopoly must of necessity make them draw conclusions which may not be always warranted. Our primary producers should be given the benefit of cheaper fuel oil and gasoline. I think ultimately these great monopolies in oil, farm implements—we are investigating this particular one at this time and are receiving very confusing information—the marketing of grain, and so on, will have to be controlled by the government instead of monopolies indirectly controlling the government through price levels and other means

Item stands.

Progress reported.

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

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## Friday, May 22, 1936

The house met at three o'clock.

### RULING OF MR. SPEAKER

WITHDRAWAL BY MEMBER FOR TÉMISCOUATA OF STATEMENT RULED UPON MAY 1

On the orders of the day:

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): Mr. Speaker, in accordance with the rules of the house I bow to your ruling and withdraw the eight words objected to in my speech of April 27, namely, "before the matter was submitted to his colleagues."



### SMALL PROPERTY OWNERS

PROPOSED STUDY OF THEIR FINANCIAL SITUATION LOOKING TO EQUITABLE TREATMENT

On the orders of the day:

Mr. DAVID SPENCE (Parkdale): I should like to direct a question to the Secretary of State (Mr. Rinfret). I wish to ask whether the government have given consideration to the resolution introduced some time ago by the hon. member for St. Mary (Mr. Deslauriers) with regard to giving some relief to property owners in urban centres. The minister accepted the resolution at that time and said the government would give consideration to the problems of these people who find themselves in difficult circumstances. I know there are many cases of distress; many people are losing their homes because of high taxation and high interest rates. I assume the government have given consideration to this matter, but I should like to know definitely. I am asking this question to-day because I have a letter from a lady in my own riding telling me that her husband has been sick in bed for the last fifteen months, that she is forced to pay seven per cent on her mortgage, and that she is having some difficulty. I think some consideration should be given these people, and I hope something has been done by the government.

Right Hon. W. L. MACKENZIE KING (Prime Minister): The Secretary of State (Mr. Rinfret) is not in his seat at the moment, but I am sure he will take notice of the hon. gentleman's question and reply to it at another sitting.

Mr. SPENCE: I should be glad to have the Prime Minister give us some assurance in the matter.

### CANADIAN PACIFIC RAILWAY

DOCUMENTS RESPECTING $60,000,000 LOAN GUARANTEE BY GOVERNMENT

On the orders of the day:

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): I should like to ask the Minister of Railways and Canals (Mr. Howe) if it would be possible to table at the next sitting a copy of the letter signed by the then Prime Minister on May 31, 1933, with regard to the $60,000,000 loan to the Canadian Pacific Railway Company, and also the memorandum and order in council passed in that connection during the following fall.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, as a matter of privilege I desire to say that when I stated that the letter to which reference has been made was shown to my colleagues I was not relying upon my memory. The record of the evidence given before the banking and commerce committee between the 6th of March, 1934, and the 14th of June, 1934, contains a clear statement that the letter was communicated to my colleagues before being written.

Mr. POULIOT: The right hon. gentleman does not deserve a prize for his good memory.

Mr. BENNETT: Mr. Speaker, as a matter of the privileges of the house, has it really got down to this? Has this to be tolerated? I put it to you, Mr. Speaker. I think you have done your duty as well as possible under the circumstances, but I ask again, is this sort of thing to be tolerated?

## CANADIAN NATIONAL RAILWAYS

### APPLICATION OF CANADIAN PACIFIC FOR PROVINCIAL CHARTER FOR ANGLIERS-NORANDA-CHIBOUGAMAU LINE

On the orders of the day:

Mr. RALPH MAYBANK (Winnipeg South Centre): Before the orders of the day are called I wish to ask a question of the Minister of Railways (Mr. Howe). Is the minister aware that the private railway interests which are planning an invasion of the territory now served by Canadian National Railways in northern Quebec are endeavouring to secure public moneys set aside for unemployment relief to carry out their projects? And will the minister state whether funds which come from the dominion treasury can be diverted to such purposes as the creation of facilities which would duplicate railway lines already owned by the dominion?

Hon. C. D. HOWE (Minister of Railways and Canals): In answer to the hon. member's first question, may I say that the government has no knowledge of that kind. In reply to the second question, there is no item in the federal estimates that can be used for the purpose the hon. member states.

## WAYS AND MEANS

### CUSTOMS TARIFF AMENDMENT

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

Customs tariff—267. Crude petroleum not subjected to any other process than natural weathering and removal of foreign matter and water, when imported by oil refiners to be refined in their own factories:—

(i) ·8155 specific gravity (42·0 A.P.I.) or heavier at 60 degrees Fahrenheit: British preferential tariff, free; intermediate tariff, free; general tariff, free.

(ii) Lighter than ·8155 specific gravity (42·0 A.P.I.) at 60 degrees Fahrenheit, per gallon: British preferential tariff, $\frac{1}{8}$ cent; intermediate tariff, $\frac{1}{2}$ cent; general tariff, 1 cent.

Mr. BENNETT: Mr. Chairman, I rise merely to make a few observations with respect to this item because it has been the subject matter of much discussion, and it is well that the circumstances under which the matter was referred to the tariff board should be upon record in Hansard.

It will perhaps be recalled that in October, 1930, the government of the day, having raised the tariff on gasoline and petroleum products, obtained from British American Oil Company, Limited, Canadian Oil Companies Limited, Imperial Oil Limited, and McColl-Frontenac Oil Company Limited an undertaking in the following words:

> The adoption of these recommended revisions will not result in any increase of prices to the retail consumer because of them.

Later the purpose for which that increase was made became apparent, although it was not fully apparent at the time. It was thought by some that it was done for the purpose of raising the price, but so far as that goes it is an illustration of the fact that raising the tariff does not necessarily involve an increase in the price of the product upon which the tariff is imposed. A statement to that effect will be found if one reads carefully the judgment of the tariff board. Beginning at page 183 you have the conclusions of the board upon the reference made by the Minister of Finance. On January 23, 1935, the former Minister of Finance, Mr. Rhodes, referred to the chairman of the tariff board by letter the application that had been received from the cooperative trading associations of Saskatchewan for a downward revision of the rates of customs duties on crude petroleum and its derivatives. Mr. Rhodes, after referring to the application that had been made, said:

> Crude petroleum and its derivatives are enumerated, as you are aware, in a number of items of the tariff schedule comprising roughly a group running from tariff item 267 to tariff item 275 inclusive.
>
> In the absence of a precise description of those particular derivatives of crude oil in which the applicants manifest an interest, I herewith refer to your board as reference No. 84 the group of items above referred to for inquiry and report in accordance with the terms of the Tariff Board Act.

In accordance with the reference then made the board not only received evidence at Ottawa, but also travelled as far west as Van-

couver and heard testimony at various points: at Regina, March 25-27, 1935; at Vancouver, May 20-21; at Calgary, May 27-29; at Saint John, June 17; at Halifax, June 20, and at Ottawa for the fortnight commencing November 19 and ending November 30.

The judgment of the board was delivered this year. The opening paragraph I propose to read, as well as a few other paragraphs, in order that the record may be complete. At page 183, chapter 13, the conclusion states as follows:

The customs duty of 2½ cents per gallon levied on importations of gasoline in September, 1930, was undoubtedly an emergency tariff necessitated by the chaotic conditions in the oil industry in the United States at that time. It was in the nature of a temporary measure pending a more mature consideration of the problem.

Then follows a record of the conditions in the United States during prior and succeeding years, the various movements of prices up and down, and the position at the end of 1934, when—

... the stabilization program enabled the integrated refiner to earn a fair profit. But the fixity and inflexibility of crude oil prices as compared with the changes and reductions in the market value of the products obtained from the crude oil seriously injured the non-integrated refiners.

Then there is a further reference to the conditions in 1934, showing the improvement during that year and indicating that the retail prices of gasoline were higher by about ten per cent, or 1¼ cents per gallon, because of the increased price of crude petroleum.

Unquestionably since the spring of 1935 conditions in the oil industry have definitely improved. Crude oil prices are at a level which would appear to permit the greater part of the current supply of oil to be produced at a profit without offering too much inducement for new drilling.

After reviewing further the conditions in the United States in the mid-continent field and the price structure of crude oil, upon which the production of gasoline depends, the board went into the question of the condition of the Canadian companies and of the profits which they had made, and at page 188 occur these words:

It will be remembered that the two main purposes of tariff protection, as stated by one of the major oil companies and quoted in the introduction of this report are:

(1) To regulate imports to such an extent as to permit Canadian industry to benefit by increased throughput, with the resultant advantages of mass production;

(2) To protect Canadian industry from competition from other countries where conditions of manufacture, distribution or economics differ from Canadian standards or conditions, whether this be due to unusual, unfair, unsound or unlawful practices.

[Mr. Bennett.]

It has already been shown that the chaotic conditions in the United States oil industry involving unusual and unlawful oil practices no longer exist, and that the industry as a whole is in an extremely sound position. The conditions of manufacture are not unlike those in Canada, except in so far as the refineries in many cases have a much larger capacity. But there are a number of refineries with capacities comparable to those in Canada which compete with the larger refineries and which operate in many cases, so far as their supply of crude is concerned, under conditions far less advantageous than do the large Canadian refineries.

There is necessity for protection against a refinery like the Royal Dutch Shell Company's refinery at Curaçao in the Dutch West Indies, which has a capacity of over 200,000 barrels per day, and whose costs are said to be lower than those of any refinery in the United States. Other items to be considered are the higher costs of materials and the higher equipment costs in refining operations. Prior to the Canada-United States treaty, the average rate of duty on refinery machinery was approximately 35 per cent, although this increased costs amounts to only a small fraction of a cent on a gallon of gasoline. Nevertheless the board sees no reason for the continuation of these protective rates on refining equipment which is so extensive and expensive.

The refineries in the prairie provinces pay extremely high freight charges on the crude oil which is transported to the refineries by tank car, but they have a freight advantage of over two cents by reason of the higher freight rates on gasoline.

Climatic factors involving more expensive buildings, the insulation of tankage, and the burying of pipe lines to a depth of six feet below the frost level, warrant a certain measure of protection. The fact that water transportation to Montreal and Toronto is unavailable for five months of the year thus necessitating large crude oil storage, must also be borne in mind as an item requiring protection.

So far as the first purpose of the tariff, as stated by the oil company, is concerned, the increase in the tariff in 1930 had the directly opposite result. Although the share of the market held by Canadian refineries increased approximately 15 per cent in 1934 as compared with 1930, the Canadian industry did not benefit by increased throughput with resultant advantages of mass production. The number of refineries increased from fifteen in 1930 to forty-two in 1934 and the percentage of capacity in operation declined from 72 per cent in 1930 to 55 per cent in 1934.

After dealing with the labour element, which the board states is not important, having regard to the value of the industry—the employment does not amount to more than 5,000 people—they point out that they have rewritten the schedule with a view to modernizing the phraseology in accordance with commercial usage, and deleting words and phrases which have become obsolete. I continue reading:

In the chapter dealing with the tariff history of the items comprising the petroleum schedule, it was pointed out that certain items are substantially the same, so far as wording

is concerned, as they were in 1884. As new products have been developed, additions have been made to existing tariff items, with the result that petroleum products are frequently classified with crude petroleum in the same tariff items, and there are overlappings in the specific gravities named in certain items.

The board then proceed to suggest new tariff items, and deal with them on the basis of the American Petroleum Institute rule, which is an arbitrary rule settled by the institute, and which has been found satisfactory as to specific gravity. After giving that, the question as to where the break should take place becomes important. The board give in exact words the reasons why the break was made at the point it was. I shall have something to say about that presently. To continue:

Under the existing schedule, the bulk of the crude petroleum imported by refiners is imported under tariff item 267a. The number of that tariff item has been altered to tariff item 267(i) and the words "in its natural state" have been deleted on the grounds that if an oil is crude petroleum, it must be in its natural state. The qualifying phrase "not subjected to any other process than natural weathering and removal of foreign matter and water" is added to assist the customs authorities in the administration of the two divisions of tariff item 267. When the crude oil comes from the well, foreign matter and water are usually removed before it enters the pipe line or storage tank.

It will be noted that in the existing tariff item 267a, crude petroleum ·7900 specific gravity (47·6 A.P.I.) or heavier is specified, whereas under the proposed tariff item 267(i), the upper gravity limit is ·8155 specific gravity (42·0 A.P.I.). Under the proposed tariff item 267(ii) crude petroleum lighter than this gravity when imported by refiners carries a rate of ½ cent under the intermediate tariff.

There are several reasons which seem to the board to justify a reduction of the gravity denoting the dividing line of demarcation between dutiable and non-dutiable crude oil for several reasons. In the first place the crude oil which is available in commercial quantities in the United States has an A.P.I. gravity of 40 degrees A.P.I. or less, and prices are posted for every degree change in gravity from, say, 25 degrees A.P.I. to 39·9 degrees A.P.I., and one price is posted for 40 degrees and above. The fact of the matter is that the higher gravity crudes are obtainable in comparatively small quantities, and the prices quoted for these oils are not necessarily based on any fixed ratio to the gravity as in the case of the oils having a gravity below 40 degrees A.P.I. As stated in a previous chapter, the price of crude increases 2 cents per barrel with each increase of 1 degree in the gravity. Fixing the dividing line at 42 degrees A.P.I., gives the refiners a margin of two degrees in gravity.

Secondly, the reduction of the gravity limit of crude petroleum, entitled to free entry for refineries, will prevent certain refiners from importing under the "Free" crude oil tariff item mixtures of gasoline or petroleum tops with crude petroleum. There has been considerable difficulty through mixtures of "tops" and crude oil dutiable under the present tariff item 267b, or crude oil and gasoline being invoiced as crude petroleum in its natural state under tariff item 267a. This can be done very easily when the gravity limit is 47·6 degreees A.P.I. (·7900 specific gravity) as at present. The limiting of free importations to 42 degrees A.P.I. gravity and heavier, would remove the possibility of evading the duty. The wording of the new item will also eliminate the practice of shipping mixtures and billing them for freight purposes as crude petroleum "in its natural state."

The third and most important reason, however, is that crude oils with a gravity above 42 degrees A.P.I. are in reality "freak" crudes which are not available in sufficient quantities to supply the market requirements of gasoline. The normal crudes below 40 degrees A.P.I. require expensive "cracking" equipment to obtain a similar quantity of gasoline to that obtained by a simple skimming process in the case of high-gravity crude oils.

For example, with a crude oil of 47·6 degrees A.P.I. the yield of gasoline by a "straight run" operation is as follows.

| | Specific gravity | A.P.I. gravity |
|---|---|---|
| 65%—"Straight run" gasoline.. | ·7389 | 60·0 |
| 35%—Gas oil, fuel oil and loss. | ·8851 | 28·3 |
| 100%—Crude oil.. .. .. .. .. | ·7900 | 47·6 |

On the other hand, a normal crude oil of 37·0 A.P.I. (·8400 specific gravity) will yield:

| | Specific gravity | A.P.I. gravity |
|---|---|---|
| 30%—"Straight run" gasoline.. | ·7389 | 60·0 |
| 70%—Stock to be cracked (and loss).. .. .. .. .. .. | ·8851 | 28·7 |
| 100%—Crude oil.. .. .. .. .. | ·8400 | 37·0 |

In order to obtain a 65 per cent yield of gasoline from the 37·0 A.P.I. crude oil, refiners must crack the 70 per cent stock in order to obtain the additional 35 per cent of gasoline to supplement the 30 per cent yield by the "straight run" process.

This proposed item covers all crude petroleum not otherwise specified.

I shall not read further, but I have read from the record because I believe it is desirable to point out that the difficulties to which the minister referred were not difficulties which have arisen recently, but were those which had arisen in 1934, and formed part of the cause operating in the mind of the minister who referred the matter to the tariff board. The difficulty did not arise in western Canada, in the first instance; it arose in eastern Canada in connection with a cargo of oil from Russia and subsequently a cargo of oil from Roumania. The oil was invoiced as crude petroleum in its natural state, when as a matter of fact it consisted of so-called crude oil

mixed with gasoline which had been refined in very excellent refineries, as the product clearly indicated, and it was only necessary to put it through a simple process to separate the gasoline content from the crude oil content of the importation.

I recall clearly having asked officials of the Department of National Revenue whether or not there was any method by which we could deal with the matter, and it was then learned for the first time that in some particulars the classification in the tariff had not been changed since 1884, and, as was suggested the other day, there was no method by which we might separate the contents of the so-called crude petroleum for purposes of duty. It became apparent that it was necessary to revise these classifications in order that fraud could not be practised upon the revenue collections by invoicing as crude petroleum a product which was more largely composed of gasoline than of crude petroleum. It was that circumstance which brought the matter first to the attention of the department. Subsequent investigations by the Department of National Revenue resulted in what was indicated by the Minister of Finance. But the cause which brought about the difficulty to which I referred was the importation by water of a petroleum product invoiced as petroleum in its natural state, when as a matter of fact it consisted of crude petroleum mixed with high class gasoline. That was one of the reasons which brought about the necessity for referring the matter to the tariff board.

The other reason was that complaints were made that the duty was enhancing the price. As is pointed out in the judgment of the board, it is quite clear that that could not have been the purpose of the imposition of the duty. The purpose was to deal with the chaotic condition which existed in the United States and to secure at no increase in price the necessary gasoline produced in Canada for Canadian consumption. Side by side with the increase in tariff it will be recalled that a new section was added to the tariff which enabled the governor in council to place upon the free list any commodity that had been increased in price by reason of an increase made in the tariff itself. I shall read from page 191 of the record what the board has to say on this point:

> Having carefully considered the various elements of cost which are higher in Canada than in the competing countries, the board has arrived at a schedule of rates which in its opinion, having regard to the return of normal conditions in the United States industry, will permit the Canadian refining industry to do business in an economic and efficient manner.



These are the words to which I wish to direct particular attention:

> The very wording of the pledge given in 1930 to the government by the major oil companies to the effect that the retail price to the consumer would not be increased because of the customs duties, implied that the companies did not require any more than one cent duty on gasoline because of differences in manufacturing costs here and in the United States. They needed the additional one and a half cents to protect the Canadian market against the chaotic conditions in the petroleum industry of the United States already described. If they required the increased protection on manufacturing costs, they would have had to increase prices to the consumer.

As a matter of fact they kept their pledge; there was no increase in the price of gasoline consequent upon the tariff. Any increases in gasoline prices that took place in this country were increases that marched side by side with the increase on crude oil as set out in the judgment of the board.

I make this statement because the tariff of 1930 was imposed for one purpose, and one only. It accomplished that purpose, and it did not thereby involve any higher price, as the board itself has found. There were no increases in prices by reason of the tariff. Such increases as did take place were increases in the cost of the raw material as reflected by the prices posted from time to time in the area from which the crude comes. The difficulty in this country is that we have not as yet discovered any pools of crude petroleum. We have what is called casinghead gasoline or naphtha, discovered in the Turner valley and produced in extensive quantities. It is a high grade product, so high grade in fact that at times you can fill your tank with it right from the well and drive your engine with it. But the quantity is not sufficient to supply the requirements even of western Canada, although the consumption of gasoline in this country last year as given in this report was, I think, only about 500,000,000 gallons, which of course is relatively a small quantity as compared with United States consumption, especially when we recall that one refinery of the Royal Dutch is capable of producing 200,000 barrels a day.

In my judgment the result of the new tariff proposals will be to protect, so far as this indicates that protection is necessary, the interests of those engaged in refining in this country. The minister referred the other day to the objections that had been made in Montreal and elsewhere with respect to the decrease in duties. I think those who were complaining overlooked one essential fact. The fact was not that the protection was not ample from the point of view of prices, but that it was not ample from the point of view of permitting a possible importation into this

country of gasoline from countries that were willing to sell it at almost any price. Remembering that Russia was not in the hands of private enterprise and that they were offering gasoline for sale in the city of Baltimore at as low, I believe, as three cents a gallon, in a tanker, and having regard to the fact that on a barter basis oil from Roumania was offered in this country at a very low price, what the president of McColl Frontenac Oil Company had in mind, if I can understand what he said, was—

Mr. DUNNING: It was a little difficult to understand.

Mr. BENNETT: Well, I read it in the light of just what this judgment says, that is, not that there was not ample protection with respect to competition on a price basis, but that chaotic conditions in the industry elsewhere might involve the importation into this country of gasoline at an invoice price so low as to make it impossible for the moment to compete with it here. I will give an illustration of what I mean.

Mr. DUNNING: My right hon. friend was very generous in interpreting the comment in that way. I mean he was generous to the man making the comment.

Mr. BENNETT: The reason I read the undertaking to which the McColl Frontenac Oil Company was a party in 1930 was to show that that must have been in the speaker's mind. I have no other reason for saying it, because I have not spoken to anybody about it, but it occurred to me that he gave the undertaking that the price would not be increased by reason of the tariff. Clearly, as was pointed out in the judgment of the board, it was the chaotic condition that prevailed and the sale at what may be called bankrupt prices of gasoline in Canada which made it impossible to carry on the sale of gasoline in this country with any stability unless there was some certainty as to the prices at which gasoline would be imported from countries where chaotic conditions prevailed. I recall its being brought to the attention of the government that between 1930 and 1934, a large concern in the United States, which had a great tank farm filled with gasoline, pledged to the bank, had been unable to meet its obligations; the bank had been compelled to take over the tank farm, and they offered the gasoline at a price that would liquidate their debt, and were content with that. The obvious result of such conditions was that unless we had imposed the duty we did, namely 2½ cents, a serious situation would have developed. To permit that gasoline to come into Canada without restriction would have meant for the moment a lower price to those who bought it. But there were those who were speculating in gasoline who were willing to buy it in tank cars, sold as it was at distress prices by reason of the bankruptcy of the concern owning it, and, by bringing it into Canada and selling it at a lower price, disorganize the price structure in this country.

The board has apparently given a tremendous amount of time and care and attention to this matter. Anyone who has any preconceived prejudices with respect to the oil industry, and will take the trouble to read this judgment, realizes why prices in Canada have varied from time to time. It is because we have no raw material from which we can produce our finished product. We can secure raw material only in three ways: by tank cars, by one pipe line only that comes into Canada, and by water. In the summer time water carriage is available to Montreal and Toronto, and ships do carry tank oil up to the refineries in Toronto and it is there refined, but for five months or more in the year that is not possible; therefore, except via Halifax and Vancouver, where you have water carriage the year round, you must depend entirely upon tank cars. It is stated in this judgment, touching a matter with which we in western Canada have some concern, that the higher freight rate on gasoline arises by reason of the lower rate on wheat; it is a compensatory tariff for the railways by reason of their carrying the wheat at a much lower rate than prevails in the United States for the transportation of similar grains over similar distances.

I read the comment to which the minister referred the other day as indicating that the higher tariff was not required for the purpose of protection in the sense of increasing the price to the producer, but solely for the purpose of preventing distress gasoline from finding a market in this country and thereby disturbing the stability of the whole structure. That was the ground on which the case was put to the government in 1930. It was for that reason that the undertaking was obtained that the oil companies would not increase the price by reason of the tariff, and, as the judgment points out, obviously the increased tariff serves no purpose if any duty higher than the cent a gallon is necessary for the purpose of maintaining the industry in this country. The adequacy of the protection—if you wish to use the word protection—at one cent a gallon is quite clear. The higher rate is for the purpose of protecting the industry

against sporadic inroads of the kind which came about by reason of chaotic conditions in other countries—at that time, in the United States. Anyone who has followed the history of the industry in the United States as set out in this single volume will realize how uncertain those conditions have been, and if you add to that difficulties that have arisen by reason of importations by water from the Black sea and Roumanian fields, you get a truer and clearer appreciation of the situation.

I followed with some degree of interest the statements made by the hon. member for Moose Jaw (Mr. Ross) who has apparently given the matter a great deal of consideration. I have no opinion with respect to the question of freight rates, but I do know it was because of the conditions to which I refer that this matter was referred to the tariff board in the hope that with improved conditions in the industry it would be made apparent that all that was aimed at by the government was not to increase the price of gasoline to the consumer, but to try to secure for him a steady, certain price that would not represent undue profit on the part of the producers. An effort was made to guard against destruction for the moment by spasmodic and sporadic inroads upon the market by those who were not permanent producers, but who were launching their products in the markets of this country for the purpose of raising money—not being a regular industry in that sense—by liquidation of bankrupt concerns, or by countries overseas attempting to realize needed money to meet their economic needs through taking advantage of trade and exchange difficulties.

Mr. BLACKMORE: Such investigation as I have been able to make in connection with this duty on crude oil leads me to express commendation of the Minister of Finance (Mr. Dunning) for the sincere effort he has made to help the consumers in the west. A great many people in the west have signified to me their appreciation of this action. I should like also to commend the minister for the statement he made the other day, which appears on page 3018 of Hansard, that he was directing the tariff board to follow closely the reactions which might follow from the application of this changed tariff. I believe that this is a very sound procedure and I commend the minister heartily for his action in that regard.

There is another matter to which I should like to direct the attention of the minister. In Alberta at the present time are two smaller companies which import gasoline. These companies are laying down gasoline in Calgary at such a price as would seem to indicate that they are perhaps making greater profit than should be made; consequently it might be a good thing if the minister would direct the tariff board to send a representative to Calgary to investigate this matter. I believe that this would be a good starting point. Once more I express my appreciation of the activities of the Minister of Finance in connection with gasoline prices.

Mr. COLDWELL: I should like to say just a word in connection with the point of view expressed the other afternoon by the right hon. leader of the opposition (Mr. Bennett). When speaking to this particular item on Wednesday last I suggested that in my opinion the method of handling the alleged abuses in connection with the importation of light crudes was fundamentally wrong. When the leader of the opposition was expressing his opinion very logically and very ably, I felt that he was emphasizing the point of view I had expressed that day.

Protective tariffs are brought into being in order to protect the price levels of certain classes of producers in Canada, but unfortunately other classes of producers are not protected from the chaotic conditions of the markets outside of Canada. The result is that a product produced in a protected market has to be sold under chaotic conditions abroad. Consequently there is opposition to this method of affording protection from unfair competition by means of protective tariffs. There is also an urge that the government of Canada should reciprocate in another form and assure the primary producers of Canada such prices for their products as will be equivalent to the prices guaranteed by the tariff to those who receive the benefits of it. That is what I intended to develop the other afternoon when six o'clock was called.

I believe the Minister of Finance is adopting an unsound method of dealing with the alleged condition in relation to certain refineries, which he outlined to the committee. The widespread use of this method of dealing with such situations will make the condition as far as the western producers are concerned one of confusion worse confounded. Whatever we may think of other features of the matter, I am thoroughly opposed to increasing the tariff as a means of dealing with this particular situation. May I emphasize again that in the best interests of understandings between all groups of people in the country, it would be wise for the government to consider a method of dealing with this particular matter different from the method proposed by the Minister of Finance at this time.

Mr. DUNNING: While I do not want to obstruct the passing of one of my own items, I should like to say that in my opinion the most important point made the other day in the discussion with respect to crude petroleum had to do not with the tariff but with the fears expressed by several members that advantage would be taken by the railway companies of the new classification in the schedule to introduce higher freight rates on the lighter crudes than prevail in connection with the other crude oils. It will be recalled that the other day I expressed some doubt as to whether that would be possible in the light of a judgment of the ralway commission already of record, especially in view of the fact that in the old petroleum schedule there were at least three separate crude items whereas in this tariff there is only the one item with two minor divisions. It was apparent to all who discussed this matter that any injury which might be done to the so-called small refiners, which I prefer to refer to as skimming plants, would be done not because of this half-cent rate in the intermediate tariff, but because of a possible increase in the freight rate which might be brought about as a result of the divided classification. In that connection I gave certain assurances with respect to the tariff board watching the situation during the coming year. I am in a position today to go a little further. The chairman of the tariff board received this morning a letter from Mr. L. J. Knowles, special traffic representative of the Canadian National Railways, from which I quote in part. Mr. Knowles says:

I have this morning discussed, by telephone, the situation with Mr. R. W. Long, our general freight traffic manager, and I am authorized by him to make the attached statement to you so far as the Canadian National Railways are concerned, and the substance of this statement may be used in any manner that you see fit, publicly or privately.

I had better read this statement because of its immediate interest. It is as follows:

So far as the Canadian National Railways are concerned, there need be no fear whatever that any attempt will be made to increase the freight rates on crude oil of the higher gravities—or even the lower gravities—from the Texas or Oklahoma oil fields to western Canada.

Of course, these rates are joint international rates, and the Canadian National Railways have no authority to speak for the United States lines, but we do not believe that they also will attempt to make any change in the rates on account of the differentation in the duty which has now been made by the Canadian government.

This assurance is given predicated on the understanding that the oil shipped from the Texas and Oklahoma oil fields to western Canada will be genuine crude oil in its natural state, for the following reason:

Last year the United States railways became so concerned about doctored crude oil (which is often a mixture of gasoline, distillate and crude oil) being shipped as crude oil at the low freight rates which were established originally on the heavy crude oil for use in cracking plants, that they determined to make a change in the freight classification which, up to some time last year, designated crude oil as crude oil and nothing else, so that under the freight tariffs it was possible to ship crude oil in its natural state, or crude oil not in its natural state, as crude oil.

With the cooperation of the American Petroleum Institute, and with the approval of the Interstate Commerce Commission, the United States freight classification, which also applies on international shipments, was changed to read as follows:

"Crude oil in its natural state, or crude oil which has been subjected only to natural weathering, settling or treatment for the removal of water and bottom sediment, and not blended with other products."

The very language we are using in the tariff item.

This designation is shown on page 285 of the consolidated freight classification No. 10, which both the United States and the Canadian lines are parties to.

The effect of changing the description as designated, is as follows:

Crude oil in its natural state, or which has only been subjected to natural weathering, and so forth, and not blended with other products, may be forwarded over the United States and the Canadian railways on bills of lading which will authorize the use of the rates on crude oil wherever they may apply in the freight tariffs in which the rates are published, which freight tariffs are subject to the governing clause of the consolidated freight classification No. 10.

Therefore, if the skimming plants in western Canada buy genuine natural crude oil and have it shipped to them from Texas and Oklahoma to western Canada, there will be no question that the rates which the Board of Railway Commissioners authorized in their decision, after an exhaustive investigation, will apply.

If, however, the shippers or receivers want to ship crude oil not in its natural state, that is, crude oil blended with other products, they can honestly describe it as crude oil not in its natural state on the bills of lading, and the rates applied will be the ordinary petroleum rates which apply on gasoline or gasoline mixed with other articles.

Of course, this means that crude oil not in its natural state will pay higher freight rates, but the fact is that this condition has been in effect now for over a year.

For example, crude oil in its natural state from Tulsa, Oklahoma, to Regina will continue to pay a rate of 53½ cents per 100 pounds, which was authorized by the Canadian railway commission in its decision.

If the shipment is offered as crude oil not in its natural state, that is, gasoline distillate and crude oil, it will pay a rate of $1.23 per 100 pounds, as the railway tariffs provide that a mixture of high grade and low grade articles take the highest rate on any article in the mixture.

This is a well known principle of railway rate making, which is recognized by both the Canadian railway commission and the Interstate Commerce Commission.

There is a further matter which should be mentioned in this connection, and that is, if any shipper or any receiver of crude oil not in its natural state, or blended with other products, wilfully and knowingly attempts to ship that particular kind of alleged crude oil as crude oil in its natural state, they will not only be subject to the additional ordinary rate between the proper crude oil rate and the petroleum products' rate, but they will be subject to prosecution under the Interstate Commerce Act or the Canadian Railway Act, or both.

The situation, therefore, as explained, is, so far as the freight rates are concerned, thoroughly cleared up, and no one need have any fear that, so far as the Canadian National Railways are a factor in the situation, there will be an increase in freight rates on crude oil from Texas or Oklahoma to western Canada as long as they are honestly shipping natural crude oil, no matter what the gravity may be.

Mr. DOUGLAS: If the railways can make this distinction between natural crude oil and oil that is not natural, why is it not possible for the customs department to make the same distinction?

Mr. DUNNING: I do not propose to embarrass either the customs officials or the railway officials by giving the information. Suffice it to say that cooperation between them is highly desirable, and the method of cooperation which we are prescribing in adopting the standard of division which we are adopting will facilitate it. My hon. friend will understand that it is rather important not to give information which might facilitate wrongdoing rather than otherwise.

Mr. COLDWELL: If the railways are handling the matter in this way, does not the tariff of half a cent become unnecessary?

Mr. DUNNING: I do not believe so. There must be a break point somewhere for administrative purposes, and that point can be expressed only in the difference in customs duty. There is little more I can say. I appreciate the contribution to the discussion made by the leader of the opposition. I think his historical statements were entirely correct except in one particular. I understood him to say that the importations of spiked crude or faked crude were by water.

Mr. BENNETT: The first shipment to which our attention was directed; the first one.

Mr. DUNNING: Yes; subsequently the shipments came by rail to various parts of western Canada, and we are hoping to have that situation fairly in hand. I cannot think of anything brought up the other day which has not been pretty fully discussed, and I suggest that we might carry the item.

[Mr. Dunning.]

Mr. BENNETT: I notice the classification of the railways is "not blended with other products." Might it not be well when the bill is prepared to add those words so as to make it abundantly clear that we have followed the suggestion of the railways?

Mr. CAMERON (Cape Breton): I was rather impressed at the last sitting by the statement made by the hon. member for Moose Jaw (Mr. Ross) with regard to the price spread in Nova Scotia and British Columbia as contrasted with the price in the central provinces. It would appear, if the figures placed on Hansard are correct, that the companies doing business in Nova Scotia, one of them a refining company, are really charging more at the tank than is justified by the figures submitted in the house.

Mr. DUNNING: I do not know whether my hon. friend was in the chamber subsequently to the remarks of the hon. member for Moose Jaw the other day, but because of what I find in the tariff board's report with respect to the distribution of gasoline, I undertook the other day to have the tariff board watch carefully during the coming year the effects of the changes we are now making, and also the transportation aspect to which I have referred. I used this language the other day:

I propose to ask the tariff board to keep in touch with the developments which follow the changes in duty proposed in the petroleum schedule, and particularly to keep informed as to the price situation and as to the performance of the major companies in rectifying the uneconomic condition of distribution, and to study the relation of railway and other transportation to the petroleum industry.

The Nova Scotia aspect is part of that reference in the report. In this revision we are making a complete and studied adjustment of the petroleum schedules from the tariff standpoint. During the first year that new schedule is in existence to my mind it is important that the body which has made this very admirable report on conditions should be in a position to ask for information, secure it, analyze it and if necessary be able to make a further report on the matter at a future session of parliament in case conditions arise which warrant that action being taken following the experience of the working of the new schedule.

Mr. MacLENNAN: As a result of this duty? As I understand it, the hon. member for Cape Breton North-Victoria (Mr. Cameron) is complaining with regard to the price charged for gasoline in Nova Scotia as compared with the price in central Canada.

Do I gather from the Minister of Finance that any further investigation will be confined to the conditions arising as a result of this duty?

Mr. DUNNING: No, it will not be confined in any way. The language I used was quite general, as to the performance of the major companies in rectifying the uneconomic conditions of distribution, of which this is one. I do not intend to restrict it in any way.

Mr. KINLEY: I understood the minister to say that this tariff item would have no effect on the ordinary importations of crude oil.

Mr. DUNNING: It should not.

Mr. KINLEY: I thought it was only for the purpose of determining what is crude oil for custom purposes by the specific gravity test. Crude oil coming in to the major companies will not be affected?

Mr. DUNNING: Only if they import light crude.

Mr. KINLEY: The specific gravity mentioned in the first paragraph is the specific gravity of ordinary crude oil?

Mr. DUNNING: Two degrees above it.

Mr. KINLEY: That allows for weather conditions, I suppose. In Nova Scotia we import crude oil by water, so that the freight rate problem does not arise. It is refined in Nova Scotia at tidewater and then sold in Montreal for less than it is sold in the province of Nova Scotia. I think there is a splendid opportunity for someone to go into the gasoline business in Nova Scotia, importing the gasoline from the United States and selling it at the pierhead. It seems to me that the competition which has existed in western Canada has had some little effect, because gasoline is being sold there for less than in Nova Scotia, where we do not have the same competition.

Item agreed to.

Customs tariff—267a. Crude petroleum, n.o.p., per gallon: British preferntial tariff, ¼ cent; intermediate tariff, ½ cent; general tariff, 1 cent.

Mr. DUNNING: This is the n.o.p. item.

Item agreed to.

Customs tariff—267b. Petroleum tops; blends of petroleum tops or petroleum products with crude petroleum; all the foregoing ·7249 specific gravity (63·7 A.P.I.) or heavier, at 60 degrees Fahrenheit, when imported by oil refiners to be refined in their own factories, per gallon: British preferential tariff, free; intermediate tariff, 1 cent; general tariff, 2 cents.

Item agreed to.

Customs tariff—268. Natural casinghead, compression or absorption gasoline, lighter than ·6690 specific gravity (80·0 A.P.I.) at 60 degrees Fahrenheit, when imported by refiners of crude petroleum for blending gasoline wholly produced in Canada: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Item agreed to.

Customs tariff—269. Products of petroleum, n.o.p.:—

(i) Lighter than ·8236 specific gravity (40·3 A.P.I.) at 60 degrees Fahrenheit, per gallon: British preferential tariff, ¾ cent; intermediate tariff, 1 cent; general tariff, 2 cents.

(ii) ·8236 specific gravity (40·3 A.P.I.) or heavier at 60 degrees Fahrenheit, per gallon: British preferential tariff, ⅓ cent; intermediate tariff, ½ cent; general tariff, 1 cent.

Item agreed to.

Customs tariff—269a. Petroleum oil known as engine distillate ·8017 specific gravity (45·0 A.P.I.) or heavier at 60 degrees Fahrenheit, per gallon: British preferential tariff, ⅓ cent; intermediate tariff, ½ cent; general tariff, 1 cent.

Mr. DUNNING: I should point out that there is a very considerable reduction on engine distillate, which I think should be acceptable. I am getting some telegrams which appear to indicate confusion of mind and the belief that the tariff on distillate has been increased, whereas under the intermediate tariff it is reduced from 2¼ cents to one half cent.

Mr. KINLEY: I have also had some telegrams expressing fear that the tariff had been raised on the oil we use in ships. Petroleum products are used a great deal to-day to supply the motive power for ships. What we use on the ships, however, is fuel oil, not crude oil, and the fuel oil comes in at the lowest level. It was a matter of concern to me, but I find that there is no change in that regard.

Mr. DUNNING: No.

Mr. KINLEY: Bunker oil has almost an international aspect. When it is a matter of price ships will go a long way to bunker, and I was glad to be assured that there would be no duty on fuel oil.

Mr. COLDWELL: I am wondering whether the communications the minister is receiving with regard to distillate have not their origin in circumstances somewhat different from those mentioned by the minister. I

know that I commended him with regard to this reduction, and as far as I have been able to find out it was pretty generally understood all over western Canada that the duty on distillate was lower. The information some of us have, however, is that where the area is more or less controlled by one of the larger companies it is very difficult indeed for the farmers to get adequate supplies of distillate.

Mr. DUNNING: This will enable it to be imported.

Mr. COLDWELL: We are hoping it will help the situation, but I think possibly some misunderstanding has arisen in that way.

Mr. BENNETT: The government have adopted in its entirety, as far as this schedule is concerned, the report of the tariff board?

Mr. DUNNING: Yes.

Mr. BENNETT: It has been completely adopted; is that correct?

Mr. DUNNING: Yes.

Item agreed to.

Customs tariff—270. Oil when imported by miners or ming companies or concerns to be used in the concentration of ores of metal in their own concentrating establishments, under regulations prescribed by the minister: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Item agreed to.

Customs tariff—271. Lubricating oils composed wholly or in part of petroleum:—
(a) Valued at less than 25 cents per gallon, per gallon: British preferential tariff, 1½ cents; intermediate tariff, 2¼ cents; general tariff, 2½ cents.
(b) N.o.p.: British preferential tariff, 12½ per cent; intermediate tariff, 17½ per cent; general tariff, 20 per cent.

Item agreed to.

Customs tariff—272. Refined petroleum jellies and oils, for toilet, medicinal, edible, or similar purposes: British preferential tariff, 15 per cent; intermediate tariff, 22½ per cent; general tariff, 25 per cent.

Item agreed to.

Customs tariff—272a. Petroleum greases and lubricating greases, n.o.p.: British preferential tariff, 12½ per cent; intermediate tariff, 17½ per cent; general tariff, 20 per cent.

Item agreed to.

Customs tariff—272b. Paraffin wax: British preferential tariff, 15 per cent; intermediate tariff, 22½ per cent; general tariff, 25 per cent.

Item agreed to.

[Mr. Coldwell.]

Customs tariff—273. Asphalt or asphaltum, solid or not: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 10 per cent.

Mr. BENNETT: Was this covered by the report?

Mr. DUNNING: Yes.

Item agreed to.

Customs tariff—273a. Asphaltum oil for use only for paving purposes: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Item agreed to.

Customs tariff—274. Petroleum coke: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Item agreed to.

Customs tariff—275. Liquefied petroleum gases for heating, cooking or illuminating purposes, when imported in containers: British preferential tariff, 10 per cent; intermediate tariff, 15 per cent; general tariff, 25 per cent.

Item agreed to.

Customs tariff—284. Drain pipes, sewer pipes and earthenware fittings therefor, chimney linings or vents, chimney tops and inverted blocks glazed or unglazed, n.o.p.: earthenware tiles, n.o.p.: British preferential tariff, 25 per cent; intermediate tariff, 32½ per cent; general tariff, 35 per cent.

Mr. BENNETT: There is no change in this item?

Mr. DUNNING: It includes the n.o.p. item.

Mr. BENNETT: It just adds the not otherwise provided items?

Mr. DUNNING: Yes. That is rendered necessary because of the new item next following.

Item agreed to.

Customs tariff—286. Earthenware and stoneware, viz.:—demijohns, churns or crocks, n.o.p.: British preferential tariff, 25 per cent; intermediate tariff, 30 per cent; general tariff, 35 per cent.

Mr. BENNETT: What is the change there—just adding the n.o.p.?

Mr. DUNNING: Yes, because of the next succeeding item.

Item agreed to.

Customs tariff—288. Earthenware and stoneware, brown or coloured and Rockingham ware, n.o.p.; "C.C." or cream coloured ware, decorated, printed or sponged, n.o.p.; and all earthenware, n.o.p.: British preferential tariff, 25 per cent; intermediate tariff, 35 per cent; general tariff, 35 per cent.

Mr. BENNETT: These rates are exactly the same. What is the change in the item?

Mr. DUNNING: It includes the n.o.p. item. These are all as a result of item 288a. The three preceding changes are all necessary because of the presence of item 288a.

Item agreed to.

Customs tariff—288a. Chemical stoneware composed of a non-absorbent vitrified body specially compounded to resist acids or other corrosive reagents: British preferential tariff, free; intermediate tariff, 35 per cent; general tariff, 35 per cent.

Mr. BENNETT: This puts it on the free list under the British preference and leaves it as it is under the other tariffs?

Mr. DUNNING: This is a new item which accords the privilege of free entry for chemical stoneware under the British preference. These products are not of the type produced in Canada by such plants as that at Medicine Hat, Alberta, and the item is intended to cover earthenware, or so called stoneware of extremely fine quality, sometimes made of semi-porcelain with a very high finish, and of non-absorbent character. It is in wide demand in Canada for laboratory use in universities and research institutions and also in the industrial field. We are making this concession at the request of His Majesty's government in the united kingdom.

Item agreed to.

Customs tariff—288b. Hand forms of porcelain, when imported by manufacturers for use exclusively in the manufacture of rubber gloves in their own factories: British preferential tariff, free; intermediate tariff, 35 per cent; general tariff, 35 per cent.

Item agreed to.

Customs tariff—311a. Blackboards, solid, of slate or of paper composition: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 25 per cent.

Mr. BENNETT: What is the point of this item?

Mr. DUNNING: This is a new item to effect a reduction on blackboards whether made of slate or of paper composition. They are not produced in Canada, and it is felt that the reduction to ten per cent under the intermediate and to free under the British preferential is advisable.

Mr. BENNETT: But they are made in Canada, are they not? I am familiar with the blackboard of paper made in Canada. I admit there is practically no slate blackboard made in Canada. Very often the blackboard in the school is painted on the wall itself. There is a paper blackboard sold by a well known firm in Canada.

Mr. DUNNING: That is not covered by this item. These are solid blackboards. We checked it up with the customs.

Mr. BENNETT: The ones I had in mind would roll.

Mr. DUNNING: Yes, thin things. They are not dealt with in this item.

Mr. COLDWELL: Is this not the stuff called hyloplate? That is papier-maché.

Mr. DUNNING: That is not covered by this item.

Mr. BENNETT: What are the importations under this item?

Mr. DUNNING: There has been no record of importations. Even the Canadian Manufacturers' Association do not claim that these articles are made in Canada, and I am sure they would make a claim if even a very few were manufactured.

Mr. MacNICOL: It is a good thing someone is defending the worker.

Item agreed to.

Customs tariff—312a. Asbestos in any form other than crude, and all manufactures thereof, when made from crude asbestos of empire origin, n.o.p.: British preferential tariff, free; intermediate tariff, 22½ per cent; general tariff, 25 per cent.

Mr. BENNETT: That adds "n.o.p.," I take it?

Mr. DUNNING: Yes. It is unchanged in rate.

Item agreed to.

Customs tariff—323. Silvered glass, bevelled or not and framed or not, n.o.p.: British preferential tariff, 22½ per cent; intermediate tariff, 30 per cent; general tariff, 35 per cent.

Mr. DUNNING: Same thing.

Mr. BENNETT: No change in rate.

Item agreed to.

Customs tariff—326a. Manufactures of glass n.o.p.: British preferential tariff, 15 per cent; intermediate tariff, 20 per cent; general tariff, 22½ per cent.

Item agreed to.

Customs tariff—326e. Articles of glass, not plate or sheet, designed to be cut or mounted; articles of glassware, when imported by manufacturers of silverware to be used in receptacles made of or electro-plated with precious metals, in their own factories: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 22½ per cent.

Mr. DUNNING: This is a new item, a new wording. It puts together parts of several old items, as will be seen by what has gone before.

It represents the bringing of the description of this class of goods into conformity with modern industrial and commercial descriptions of the commodities dealt with.

Mr. BENNETT: The real fact is that it prevents glass from being classified as silver, which would be a sad blow to some of my friends in the customs department.

Mr. HEAPS: Is it possible for the customs department really to know whether goods of this kind are being imported for the purpose specified in this item? Goods may be imported in such a way that the slightest little addition will be made to take advantage of this item. I can see room for an enormous amount of difficulty and evasion.

Mr. DUNNING: "Articles of glass, not plate or sheet, designed to be cut or mounted" is a wording that has been in the tariff and has been administered in that form since 1906. Then:

... articles of glassware, when imported by manufacturers of silverware to be used in receptacles made of or electro-plated with precious metals, in their own factories.

They are really inserts of glass. Customs officials have had great difficulty in deciding whether some of these articles should be classified as silver or as glass. There will be no further doubt, with this item and another we shall come to shortly.

Mr. HEAPS: A piece of glass may be imported for the purpose specified in this item, and a minimum amount of work done on it to bring it under the description given. It is free from Great Britain, is it not?

Mr. DUNNING: Yes.

Mr. HEAPS: Suppose a piece of glass is imported having a value of $10, and about ten cents' worth of work is put on it in order that advantage may be taken of the free list. There is no specified amount involved here, and I can see a loophole for that kind of thing. It is quite possible that evasion might be practised in a wholesale way by importers of glass bringing these goods into the country, doing a very small amount of work on them—

Mr. DUNNING: They need not do any under this item.

Mr. HEAPS: But it says they are to be used for certain purposes. It does not specify the amount of use.

Mr. DUNNING: I am afraid my hon. friend does not understand the object. The wording "to be used in receptacles made of, or electro-plated with precious metals" is to permit the manufacturer to make a complete article, of which the receptacle is either silver or electro-plated, but the container within it is of glass. A sterling silver butter dish is an excellent illustration. The glass for that butter dish can be imported free under this item, and the glass itself need not be processed in Canada at all. It is not made here, of course, as my hon. friend knows.

Mr. HEAPS: Quite a bit of glass is made in Canada.

Mr. DUNNING: Not of this kind.

Mr. HEAPS: I know a firm out west which was doing some glass cutting.

Mr. DUNNING: There is no record of any manufacturer of this class of commodity in Canada.

Mr. BENNETT: My criticism is that the intermediate is too low.

Mr. DUNNING: If my right hon. friend examines the imports of last year—$57,000 from the United States, $23,000 from Czechoslovakia, $12,000 from the United Kingdom, $11,000 from Belgium, and $8,000 from Japan, —he will see that a number of countries are interested in this class of export to Canada.

Mr. BENNETT: There was a rate of 22½ per cent then.

Mr. DUNNING: But my right hon. friend will notice there is a spread of 12½ per cent between intermediate and general. It was that I had in mind.

Mr. BENNETT: But Czechoslovakia has the intermediate, and so has Japan.

Item agreed to.

Customs tariff—326f. Hollow shapes of glass, moulded, when imported by manufacturers of electric light fixtures to be used in such fixtures manufactured in their own factories: British preferential tariff, free; intermediate tariff, 15 per cent; general tariff, 32½ per cent.

Mr. DUNNING: There is an amendment.

Mr. ILSLEY: I move:

That tariff item 326f contained in resolution No. 5 be amended in wording to read as follows:

Hollow shapes of glass, moulded, when imported to be used by manufacturers of electric light fixtures in the production of such fixtures in their own factories.

Mr. BENNETT: Does that mean bulbs?

Mr. DUNNING: No, it is shapes.

Mr. BENNETT: Although a bulb is a hollow shape of glass. That is covered by another item?

Mr. DUNNING: Yes. It is the sort of thing that fits outside the bulb, not the bulb itself. The change is made in order not to confine the importation privilege to the manufacturers themselves; that is, the article may be imported for them. Representations have been made to the effect that there are many small manufacturers of these commodities who are not doing a large enough business to import their own, but there are institutions importing on their behalf and selling only to them. I think this is the item about which the hon. member for Westmount (Mr. White) spoke to me.

Amendment agreed to.

Item as amended agreed to.

Customs tariff—326g. High thermal shock resisting glassware: British preferential tariff, free; intermediate tariff, 25 per cent; general tariff, 32½ per cent.

Mr. DUNNING: This is an entirely new item, to afford reductions under the British preferential and intermediate tariffs on various types and kinds of glassware capable of resisting a high degree of heat. A good deal of this is ovenware and tableware of glass which is not produced in Canada. His Majesty's government in the united kingdom has asked particularly for a concession in duties with respect to the item, and after careful investigation we believe it is desirable on all accounts to grant it.

Mr. HEAPS: Has the minister any figures to show the importations under the item?

Mr. DUNNING: This is an entirely new item, and there is no data with respect to importations. It was formerly in a general item which is being split up so that in the future we may have information.

Mr. HEAPS: I understand there has been a reduction in the British preferential tariff and an increase in the general tariff.

Mr. BENNETT: The products under 326e and 326g are really in the same position. We do not produce high thermal shock resisting glassware in Canada. We have given a 10 per cent preference in item 326e, but we have given a 25 per cent preference against the United States, where both these items are produced, under item 326g. There is an inconsistency in the intermediate rates as compared with the preferential rates.

Item agreed to.

Customs tariff—326h. Fresnel or dioptric lenses, sections and globes: British preferential tariff, free; intermediate tariff, free; general tariff, 30 per cent.



Mr. HEAPS: In this item the intermediate rate is the same as the British preferential; in other words the British preference is almost wiped out by putting the intermediate on the preferential list.

Mr. DUNNING: Fresnel lenses are known generally as fresnel lights, and are used almost solely in fishing craft. Vessels of twenty tons are required to show lights at night. The hon. member for Queens-Lunenburg (Mr. Kinley) will call my attention to any inaccuracies in what I say with respect to fishing. It has been estimated that possibly two hundred or more fishing boats out of Lunenburg and other Nova Scotia ports are equipped with running lights carrying fresnel lenses. The lenses, sections and globes are specially moulded forms with horizontal ribs. They are not made in Canada, and it is proposed that they be made free under the British preferential and intermediate rates, the reason being that they constitute a consumer's item, and the articles come principally from the United States. It is simply a procedure of making a consumer's item free.

Mr. MacINNIS: I am puzzled when I read the figures in the old item. We find that under item 326h the tariff prior to May 1 stood at 15 per cent and 20 per cent under the British preferential, 30 per cent and 30 per cent under the intermediate and 32½ per cent and 30 per cent under the general. What do these figures mean?

Mr. DUNNING: The reason is that in the present instance we are making a new item dealing with specific commodities, namely fresnel or dioptric lenses, sections and globes. We make the new item because a difficulty in administration has arisen. The old description brought the articles into the country under two or three different classifications. We give the duties in the corresponding columns, and have attempted to give them under the old classification which involved two or three items. In some instances you would find a high duty, and it might be that the importations were infinitesimal in regard thereto. Nevertheless we find that we have to show them.

Mr. STIRLING: Item 326g is a single article.

Mr. DUNNING: Item 326h refers to sections and globes.

Mr. STIRLING: I was referring to the item dealing with "high thermal shock resisting glassware."

Mr. DUNNING: Formerly ovenware was under one item and tableware was under another. In the old tariff the description "high thermal shock resisting glassware" was not used.

Mr. BENNETT: What is the name of the glassware used for baking purposes?

Mr. HEAPS: Pyrex.

Mr. DUNNING: That is a trade name, and for that reason it cannot be used in a tariff schedule. The description "high thermal shock resisting glassware" would cover pyrex.

Item agreed to.

Customs tariff—346a. Zinc slugs or discs, when imported by manufacturers of electric storage batteries, for use exclusively in the manufacture of seamless cups or shells for such batteries, in their own factories: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 25 per cent.

Mr. BENNETT: There is a material change in the item. I should think the business in connection with the item would be given to the United States when there is only a ten per cent spread between the British preferential and intermediate rates.

Mr. DUNNING: It comes from there to-day, of course.

Item agreed to.

Customs tariff—362. Articles consisting wholly or in part of sterling or other silverware, n.o.p.; manufactures of gold or silver, n.o.p.: British preferential tariff, 30 per cent; intermediate tariff, 37½ per cent; general tariff, 45 per cent.

Mr. HEAPS: I have always felt that the rates of 30 per cent under the British preferential and 45 per cent under the general tariff are altogether too high. There has been no change in rates, but I am just wondering, in view of the fact that a general reduction is being undertaken by the minister, whether it would not be well to reduce the rate to a point lower than that which has prevailed for a number of years. I notice that in the following item, namely that respecting nickel-plated ware, gilt or electro-plated ware, the rate is 17½ per cent under the British preference. I cannot see why there should be so great a difference between nickel-plated goods and goods such as are described in the item now under discussion. I suggest that the 30 per cent rate is too high a rate of protection to the manufacturers in Canada, for the very obvious reason that the price of silver is fixed on the international markets, and Canadian manufacturers pay no more for the material put into their products than is paid by manufacturers in the United States or other parts of the world, consequently on many occasions the class of silver imported does not come into competition with goods produced in Canada. I am referring particularly to very old silver, which could be classified as antique, and which is allowed free entry into the United States. I have often felt that goods a hundred years old might be placed in a category similar to that adopted in the United States. Has the minister given consideration to reduction of the British preferential rate?



Mr. DUNNING: May I deal with the last part first, namely the advocacy of admitting antiques free.

Mr. HEAPS: Silver antiques.

Mr. DUNNING: Only silver?

Mr. HEAPS: I am referring to only one item.

Mr. DUNNING: I thought the hon. member mentioned pictures.

Mr. HEAPS: No, I referred only to silver.

Mr. DUNNING: And furniture?

Mr. HEAPS: No, just silver.

Mr. DUNNING: It would have helped me very much if the hon. member had gone all the way, because I am resisting requests from people interested in obtaining private collections of various kinds of antiques. As a general rule, when importations of that kind are made for public institutions, refunds are given favourable consideration by the treasury board, on recommendation of the Minister of National Revenue. With regard to item 362 it will be noticed that there is no change with the exception of the addition of "n.o.p." The next item, "nickel-plated ware," formerly was in item 362, and we desired to make a reduction in the duty on nickel-plated ware, gilt or electro-plated ware, and hence extracted it from the precious metals. We are leaving the precious metals item where it is and reducing the duties on nickel or electro-plated ware.

Mr. BARBER: What is the duty under 362c?

Mr. DUNNING: The intermediate rate is 33⅓ per cent. That is subject to a further ten per cent deduction under the French treaty, which would apply to all countries having the most favoured nation relation with Canada.

Mr. HEAPS: Has the minister the figures of importations under this item for the last fiscal year?

Mr. DUNNING: Under the first item, that is the whole of the old item, which comprises both of the items at the bottom of this page, the total importations last year were $91,500.

Mr. HEAPS: Does that include Great Britain and the United States.

Mr. DUNNING: Everything. I can give them by countries if my hon. friend wishes it.

Mr. HEAPS: Oh, no.

Mr. BENNETT: As a matter of fact the tariff is not used for the purposes of price. The general tariff of 45 per cent was really to prevent the dumping into this country of the products of other countries when the price of silver was very low. That is why it was put there originally. The hon. member for Winnipeg North (Mr. Heaps) may be right as to the time having come to examine whether there is not stability in the matter of prices. I once bought in the United States a tankard which cost me 58 per cent of the price of it before I got through with it. I paid 45 per cent duty, and then the sales tax, and the three per cent, and I found that when the whole thing was reckoned up, although I never could quite understand it, it was nearly 58 per cent of the price of the article.

Mr. DUNNING: It was my right hon. friend's own tariff that was in effect?

Mr. BENNETT: Certainly.

Mr. DUNNING: Well, I do not think it was enough. I think he should have paid more.

Mr. BENNETT: I see my hon. friend has continued it. That is the worst of it.

Mr. DUNNING: I am quite sure, however, that the statement of my right hon. friend is correct with regard to permitting this country to become the recipient of silver in any form from other countries, and perhaps I may say, without divulging international confidences, that this matter of silver is not without its difficulties of administration at the present time, from the standpoint both of the United States and of Canada. Anything which would permit silver in any form to come in large volume into this country from another country would, I assure my right hon. friend, create very great difficulties for Canada and for the United States in administering the present international silver agreement, which is responsible for the maintenance of the price of that article. "My hon. friend from Silver" is in his seat, so that I speak with some diffidence in this matter, because I am afraid of opening up a lengthy debate.

Mr. HEAPS: Can the minister give the committee the total amount of goods manufactured in Canada under the two items just referred to

Mr. DUNNING: The production?

Mr. HEAPS: Yes.

Mr. DUNNING: Sterling silver hollowware, $134,000; sterling silver flatware, $175,000. The plated ware production is: hollow electro-plated ware, $1,150,000; flat electro-plated ware, $905,000. That is the Canadian production.

Mr. HEAPS: What were the total importations under both items?

Mr. DUNNING: $91,500 plus $1,330,000.

Item agreed to.

Customs tariff—362c. Nickel-plated ware, gilt or electro-plated ware, n.o.p.: British preferential tariff, 17½ per cent; intermediate tariff, 33⅓ per cent; general tariff, 45 per cent.

Mr. MacNICOL: Why is there so large a reduction of duties under this item? For all I know, what is left may be sufficient, but the reduction is very substantial from what it was. The point is that since this government came in, the duty on importations under this item from the United States has been reduced from 45 per cent to 33⅓ per cent.

Mr. DUNNING: We are satisfied that it should be sufficient.

Mr. MacNICOL: Are the manufacturers satisfied?

Mr. HEAPS: They never are.

Mr. MacNICOL: Well, after all they are the employers of labour in this country. They are not going round with their hat in their hand asking for somebody to put something in it.

Mr. DUNNING: I have not found that the test mentioned by my hon. friend is one that can safely be applied.

Mr. BENNETT: When it suits the hon. gentleman's purposes he uses it, when it doesn't, he does not.

Mr. DUNNING: Just like my hon. friend—

Mr. BENNETT: —would ? Yes.

Mr. MacNICOL: Are the workmen in the nickel-plated factories satisfied?

Mr. DUNNING: I have no reason to think otherwise.

Item agreed to.

Customs tariff—392b. Forgings of steel, rough machined and fitted or not, and handles of steel or of metal alloy in the rough, when imported by manufacturers of surgical and dental instruments for use in the manufacture of such instruments in their own factories: British preferential tariff, free; intermediate tariff, 27½ per cent; general tariff, 30 per cent.

Mr. BENNETT: Does steel for making shafts for golf clubs come in under this item?

Mr. DUNNING: No.

Mr. BENNETT: There are some anomalies in the tariff, and this happens to be one of them.

Mr. DUNNING: These are surgical items.

Mr. BENNETT: This relates to forgings of steel and handles of steel or of metal alloy in the rough, when imported by manufacturers of surgical and dental instruments. It is purely limited to that?

Mr. DUNNING: Yes.

Mr. BENNETT: The duty on the raw steel out of which golf club handles are made is higher than on the golf clubs, and it is a direct incentive to decreasing Canadian employment. One man with a small number of workmen in his particular place of business had to lay off two of them because clubs were brought in cheaper than the steel shaft out of which he was making them. He had been doing quite a little business. It seems to me that that is an item which might be corrected when the bill is before the house, because I do not think the minister desires to tax at a higher rate the shaft out of which the workman makes the club, than the club itself coming from the United States. I know little mistakes of that kind have crept in from time to time, and they should be remedied.

Mr. DUNNING: Perhaps my right hon. friend is not aware of the basic difficulty, which is that it is a conference item. The lowest rate to which it would be possible to bring it would be 25 per cent, in accordance with the British agreement, and I have felt that that is scarcely worth while.

Mr. BENNETT: Well, that would be substantial.



Mr. DUNNING: I have had, as I assume my right hon. friend has had, voluminous and pointed correspondence from the particular party interested.

Mr. BENNETT: Perhaps they are not the same people, because it was a friend who wrote to me about it, saying: Why this anomaly?

Mr. DUNNING: It is, of course, one of these anomalies. I think we might give consideration to the matter when the bill comes down, if my right hon. friend will take no exception to that procedure, bearing in mind that we cannot possibly go below the conference margin.

Mr. BENNETT: I know that.

Mr. DUNNING: The claim made to me was that it would have to come down to 12 and 15 per cent in order to give him a chance to live.

Mr. BENNETT: No. The rate on one is 30 per cent and the other is 35 per cent at the present time.

Mr. DUNNING: Quite. But I am speaking of the representations of the manufacturer concerned.

Mr. BENNETT: I am not familiar with them.

Mr. DUNNING: The representations of the manufacturer concerned were that he had to have a rate of 12 and 15 per cent in order to live. Inasmuch as under the British agreement there was no possibility of giving him less than 25 per cent, I did not take the representations as seriously as otherwise I would have done.

Mr. BENNETT: I would remove the cause for complaint by putting them on a parity, at any rate.

Mr. DUNNING: We can consider that. I will tell the commissioner to bear that in mind when the bill comes in.

Mr. BENNETT: It would remove one cause of complaint. We once had to do that, I remember.

Mr. DUNNING: There is no objection on my part except that it appeared to be inadequate to the alleged requirements of the industry in question.

Item agreed to.

Customs tariff—398a. Pipes and tubes of iron or steel, seamless, cold drawn, plain ends, polished, valued at not less than five cents per pound: British preferential tariff, free; intermediate tariff, 20 per cent; general tariff, 30 per cent.

Mr. MacNICOL: I assume this item relates to tubes used in the manufacture of agricultural implements?

Mr. DUNNING: No.

Mr. MacNICOL: Would not this item cover materials used in the manufacture of agricultural implements?

Mr. DUNNING: These are polished, seamless tubes, not made in Canada at all.

Mr. BENNETT: Is not this handing the business over to the United States? The British preferential is free, but the intermediate rate is only 20 per cent.

Mr. DUNNING: Great Britain paid 15 per cent under the old tariff and this is to increase the spread. Great Britain believes she can compete in this item.

Mr. KINLEY: What type of tubing is it?

Mr. DUNNING: Expensive seamless tubing, cold drawn, which is used mainly for dairy and creamery equipment.

Mr. MacNICOL: I understood from the item that the cold drawn would not be polished.

Mr. DUNNING: They must be polished.

Item agreed to.

Mr. DUNNING: I have a new item, No. 400, and I will ask my colleague to move the necessary amendment.

Mr. ILSLEY: I beg to move:

That schedule A to the customs tariff, as amended by resolution No. 5 of May 1, 1936, be further amended by striking thereout tariff item 400, the enumeration of goods and the rates of duties of customs set opposite thereto, and by inserting the following item, enumeration and rates of duties in said schedule A:—

400. Fittings and couplings of iron or steel, of every description, for iron or steel pipes and tubes; complete parts thereof: British preferential tariff, 20 per cent; intermediate tariff, 27½ per cent; general tariff, 30 per cent.

Mr. DUNNING: This is a new item which puts fittings and couplings together. There has been great difficulty in administering these different items.

Mr. EDWARDS: It is a case of when is a coupling not a fitting.

Mr. DUNNING: My hon. friend has stated it exactly.

Mr. MacNICOL: Would this cover malleable iron?

Mr. DUNNING: If they are made of iron or steel, malleable is merely a condition.

Mr. BENNETT: "Malleable" is a quality of iron. Should not this amendment be made when the bill is in committee, in view of the ruling made by the chair the other day with respect to another amendment?

Mr. DUNNING: It is not a change in rate.

Mr. BENNETT: It will be a new item; there is no item 400 here.

Mr. DUNNING: Perhaps I should give notice.

Mr. BENNETT: This would be sufficient notice for the purpose. The Chair ruled the other day that an amendment to reduce the tariff was not in order when moved to a resolution in committee, that it should be moved on the bill. In order to be consistent, we should follow the same course in this case.

Mr. DUNNING: I am content to have the item considered now and specially referred to in the bill, although I do not quite see the connection between the two incidents. There is no reduction involved here; it is just bringing pipes and couplings into the one item.

Mr. BENNETT: Why is it being done?

Mr. DUNNING: The commissioner of customs tells me that there is continuous difficulty in deciding what is a pipe and what is a fitting.

Mr. BENNETT: Then there is a change.

Mr. DUNNING: All we are doing in the new item 400 is to bring piping and fittings under the one item. We will note it for special reference when the bill is being considered in committee.

Customs tariff—404. (b) For the running gear of other vehicles, n.o.p.: British preferential tariff, 22½ per cent; intermediate tariff, 30 per cent; general tariff, 35 per cent.

Mr. BENNETT: I take it that this is to add the n.o.p.

Mr. DUNNING: On account of the succeeding item.

Item agreed to.

Mr. MacNICOL: In connection with item 409b and the succeeding items down to 409k—

Mr. DUNNING: With the consent of the committee, I should like to take together all the items in the farm implement schedule.

Mr. MacNICOL: That was what I was going to suggest.

Customs tariff—409b. Cultivators, harrows, seed-drills, horse-rakes, horse-hoes, scufflers, manure spreaders, garden seeders, weeders and complete parts of all the foregoing; British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

Customs tariff—409c. Ploughs; farm, field, lawn or garden rollers; soil packers; complete parts of all the foregoing: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

Customs tariff—409d. Mowing machines, harvesters, either self-binding or without binders, binding attachments, reapers, harvesters in combination with threshing machine separators including the motive power incorporated therein, and complete parts of all the foregoing: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

Customs tariff—409e. (i) Spraying and dusting machines and attachments therefor, including hand sprayers; apparatus specially designed for sterilizing bulbs; presure testing apparatus for determining maturity of fruit; pruning hooks; pruning shears; animal dehorning instruments; and complete parts of all the foregoing: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

(ii) Fruit and vegetable grading, washing and wiping machines and combination bagging and weighing machines, and complete parts thereof; machines for topping vegetables, and machines for bunching and/or tying cut flowers, vegetables and nursery stock, and complete parts thereof; egg-graders and complete parts thereof, not including aluminum parts: British preferential tariff, free; intermediate tariff, 5 per cent; general tariff, 10 per cent.

(iii) Complete parts of aluminum for egg-graders: British preferential tariff, free; intermediate tariff, 15 per cent; general tariff, 30 per cent.

Customs tariff—409f. Hay loaders, hay tedders, potato planters, potato diggers, fodder or feed cutters, ensilage cutters, grain crushers and grain or hay grinders for farm purposes only, post hole diggers, snaths, stumping machines and all other agricultural implements or agricultural machinery, n.o.p., and complete parts of all the foregoing: British preferential, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

Customs tariff—409g. Incubators for hatching eggs, brooders for rearing young fowl, and complete parts of all the foregoing: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

Customs tariff—409h. Hay presses and complete parts thereof: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

Customs tariff—409i. Scythes, sickles or reaping hooks, hay or straw knives, edging knives, hoes, pronged forks, rakes, n.o.p.: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

Customs tariff—409j. Fanning mills; peaviners; corn husking machines; threshing machine separators, including wind stackers, baggers and self-feeders therefor; complete parts of all the foregoing: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

Customs tariff—409k. Windmills and complete parts thereof, not including shafting: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

[Mr. MacNicol.]

Mr. MacNICOL: Mr. Chairman, if I am not in order in what I am about to say, I hope you will tell me so. There is at present a committee investigating the prices of farm implements. Since the budget was brought down I visited a number of farm implement manufacturing plants and in every case I found them greatly distressed over the long list of items, which had been sent to them with a request for certain information in regard thereto. An implement manufacturer told me a few days ago that it would take his staff from four to six months to complete this schedule. He told me they had no staff to do this work and at the same time to carry on their own necessary work; if they are to do this they will have to engage additional help. It seems to me to be a pity that just when these industries are getting out of the depression they should be loaded up with all this extra trouble and expense.

The CHAIRMAN: Is the hon. member referring to a committee of the house?

Mr. MacNICOL: No, to a schedule of items that has been sent out to various implement manufacturers asking for certain information in connection with prices.

Mr. DUNNING: But by a committee of the house.

Mr. HEAPS: Under the direction of the house.

The CHAIRMAN: If the hon. member is referring to a committee of the house which is investigating the prices of farm implements he is entirely out of order, because that committee has not yet made its report.

Mr. MacNICOL: I am not referring to the report. I contend that the government has a sufficient and efficient staff of its own to gather most of this information. This staff should be used rather than worrying the overworked executives of the implement manufacturing companies who are trying to keep their plants going. I think it was unfair for the government first to cut down the duties on agricultural implements to 12½ per cent, then to appoint a committee, and before the committee reported, to make a further cut to 7½ per cent. I was looking up the debate on the budget of 1924, which was so disastrous and ruinous that many industries in this country were wrecked.

Mr. DUNNING: Which one was that?

Mr. MacNICOL: The ruinous and disastrous budget of 1924, before my hon. friend became Minister of Finance.

Mr. DUNNING: Perhaps I might be permitted to point out that following that budget, for some reason, this country and its industries enjoyed a greater measure of prosperity than had ever been known before.

Mr. SPENCE: That was not because of the reduction on farm implements.

Mr. MacNICOL: My conception of prosperity is entirely different from that of many hon. members on the government side. My conception of prosperity is this, that factories should be induced to open up and give men work; but the result of that budget was to close factories and throw men on the labour market of Canada, thus greatly increasing the emigration to the United States of trained Canadians. So that our opinions in that regard are far apart.

I was looking at the budget schedules of 1924, and I notice that the minister, so far as item 409c is concerned, has reduced the duty still lower than it was in that ruinous, disastrous budget of 1924. In 1924 the tariff on ploughs and certain implements was 10 per cent under 409c, but to-day it has been reduced to 7½ per cent. I submit in all fairness that it is about time the business men of this house and those who really wish to do what they can to provide employment were heeded a little more. I have no fault to find with the attitude of any other hon. member, but my background has been with thousands upon thousands of men for many years, and if I speak at all I try to speak on their behalf. If I do not present their views adequately it is because I have not the ability to do so.

Mr. DUNNING: You do very well.

Mr. MacNICOL: In the budget debate of 1924 the present Minister of Trade and Commerce (Mr. Euler) made a very good speech.

Mr. EULER: Thank you.

Mr. MacNICOL: I would thank the minister a lot more if in connection with the present budget he would do what he did in 1924 and encourage others on his side to stand up and support the view he took then in that famous address of his. I wish to quote some of the remarks he made—and curiously enough they appear at page 1924 of the second volume of Hansard of 1924:

> Then there are others like myself who believe that it is in the national interest that we should have diversified industries. I am willing to place agriculture first and to give a prominent place to all the industries that deal with the development of our natural resources; but I will also say that manufacturing must take a very prominent part in the essential industries of Canada if we want to build up a nation with an all-round development such as we ought to have. Such men believe that a tariff may be used to maintain and to encourage industry, even though sometimes it may be, apparently, at some slight sacrifice. They believe that if Canadian workmen are to be paid good wages, that will enable them to live decently and comfortably, in many lines of industry they cannot compete on an even basis with the underpaid workmen of foreign countries.

These noteworthy remarks of the present Minister of Trade and Commerce, who was a private member in 1924, are just as sound to-day as they were at that time. Good wages cannot be paid by the Canadian manufacturer unless he has a substantial sale in his own home market for the things which he produces; and unless he has some means to protect himself against the low wages of some countries and the tremendous output of mass production plants in the great republic to the south. The hon. gentleman continued—I am quoting only what bears on the point I am making:

> There are men—and I am one of them—who believe in a moderate tariff that will maintain Canadian industry. I believe in that as a wise policy. If that makes me a protectionist then I shall have to accept the designation. But I will also say that I do not particularly like the word "protection." In its original meaning it is beneficent and benevolent in its significance, but it has been so abused that it has acquired something of a sinister meaning.

I agree with the description of protection which the hon. gentleman gave on that occasion, and perhaps the word has been abused. I have always been of the opinion that if a tariff, the primary object of which is to provide employment, were carried into effect, there is no reason why the government could not regulate prices. I am not in favour of exploitation; I am not in favour of allowing manufacturers to charge exorbitant prices, and I see no reason why any government cannot protect the consumer, because the purpose of the tariff is not to permit the charging of exorbitant prices but to provide employment for Canadian workmen. I quote once more from the hon. gentleman's remarks:

> I do not favour a prohibitive tariff but I believe in a tariff that will enable legitimate industries to live if they are efficiently conducted. I believe in that sort of tariff also for another reason, namely, that it will give employment to our people.

In my opinion that is the primary purpose of a tariff, to give employment to people. I have gone around a number of implement plants and recently I have seen hundreds of men working in one branch of production or another, and I could not help feeling that it was my duty on every occasion to say a word on their behalf.

The government has at this session given considerable relief to our western farmers in more ways than one, and I support it in what it has been doing to make conditions better in the west. Quite a number of measures have been proposed, all of which I hope will result in better conditions there, because anyone who really knows anything about economics—and practically every member in this house does—knows that if the primary producer is not successful the whole country takes a backward step. If, therefore, the government does anything to improve conditions for the farmers it will have my support.

Going around industry, and with such knowledge as I have of industry, I find, as has been pointed out by other members, that the amount of agricultural equipment produced in this country is very small indeed in comparison with what is produced in the great factories of the United States. A few days ago I was going through the establishment of one large company. I have a thorough knowledge of industry, particularly of anything associated with iron and steel. I saw something that I had not realized before in connection with the agricultural implement industry, and that is the large number of jigs they have to use. I saw several large bins of them, and the estimate of the foreman was that they had 5,000 different jigs in that one plant for use in connection with drilling, pressing, or otherwise working up and getting ready the various items that enter into mowers, binders and all other agricultural equipment. In addition to that, they had a lot of equipment for the pressing of malleable iron. It appears that when the malleable iron parts used in various agricultural implements are received from the malleable iron plants, though perfectly constructed, they are not always true to shape and it is necessary to use dies to press them out. I counted over four thousand dies in one plant, and naturally these extremely costly dies and jigs are two of the reasons why agricultural implements may cost a little more to produce in this country than in the United States. Where an agricultural implement plant in Canada would use a die to press a thousand parts for a thousand implements the American plant would use a similar die to press perhaps fifty times as many, so naturally they can produce for less money. If the government really wants to do something for the farmers, and at the same time not destroy the agricultural implement industry, let it develop some plan whereby equipment, costly dies and jigs, such as that used by manufacturers, not only in the agricultural implement line but in other lines, may be obtained at low cost, just as the government provides seed grain and one thing or another for our farmers.



I have been over a good deal of Ontario recently, and I can see where the steel makers of Owen Sound and other centres, who make bolts, nuts, bar iron and one thing or another for agricultural implement plants, are going to have less work. They cannot have more work when we see paraded in United States newspapers articles stating that shipments of goods of this kind to Canada are increasing. Every thousand additional parts made in Chicago or some other United States city for Canadian farmers means less employment in this country, and so all along the line. I think every member of this house, if he is not thoroughly familiar with what is manufactured in his own riding, should make himself familiar with it, and on behalf of the workmen in his riding rise in his place and oppose the importation of goods similar to those made in his riding. Take the city of Yarmouth, in Nova Scotia. I do not know if the hon. member representing that riding is in the chamber at the moment, but in that city there is, I am informed, an excellent plant which makes the duck and canvas that goes on the binders, one of the best lines of canvas made anywhere. A completed binder brought into this country fully equipped with canvas and everything else just takes away that much work from the Yarmouth plant. If a thousand binders are brought in it means that just that amount of work is taken away from the men employed in that plant. Then, in Montreal they make the tubes and other articles to which I referred a few moments ago. To-day agricultural implement firms in Canada are buying a large part of their requirements from this Montreal plant, which I believe is called the Canadian Tube and Iron Company, or some such name. Every hundred men engaged in Pittsburgh making that line of material for binders to be shipped to this country will displace a hundred men in Montreal or some other Canadian city. I cannot see anything else to it, and so it goes with all these items.

In the town of St. Mary's, Ontario, a very fine little town, at one time they made a large line of agricultural machinery. They are not now making a full line but they are making a number of small lines of excellent material. That company formerly made binders, mowers, side delivery rakes of a very high grade, hay tedders, hay loaders and so on, but they have had to discontinue manufacturing many of these articles and whether or not they have as many men engaged to-day as they had ten years ago I do

not know. Certainly when they had to discontinue many lines the number of men employed must have been reduced. The same applies to plough makers in Woodstock Brantford, Aurora, Owen Sound and many other cities and towns in Canada. I know very well that nothing I can say can alter any of these items; the government appear determined to crucify this industry to a degree. I do not say that they are doing so intentionally or that their motives are not sincere. I will admit that they are sincere, but nevertheless the jobs of a great many workmen in this country are in jeopardy as a result of these nine or ten items pertaining to agricultural machinery.

I should like to see some government reverse this policy and do as the late President Roosevelt did when he introduced the tinplate industry into the United States. This is the way in which the story has been told to me; I cannot vouch for it, but I assume it is true. He sent for various steel and tin makers and asked them if they could roll steel to the gauge of tinplate. They said that they could. Then he asked if they could provide enough tinplate and galvanized iron to supply the market in the United States. They said that they could not, without a tariff. So he asked, according to the story, "What tariff do you want to enable you to manufacture tinplate and galvanized iron in the United States in order to take care of this market"? They told him how much they wanted. I do not recall just what the rate was, but the story is that he said, "Well, we will advance that higher. We are going to try to have American workmen supply the tinplate and galvanized iron used in this republic, but we will not allow you to exploit the American buyer." In that way it is said that the American tinplate and galvanized iron business became established.

I do not see any reason why we cannot prevent exploitation, nor can I see why the jobs of these fine, solid machinists, blacksmiths and fitters of one kind or another engaged in the production of the hundreds of lines of material that enter into the construction of agricultural implements should be jeopardized in this country merely because it is said that agricultural implements are too high in price. It is an easy matter to regulate the prices of agricultural implements without crucifying the industry, but it seems to me that is what this tariff will do. In order to encourage hon. members representing ridings in which there are substantial plants to take a stand on this issue, I want to read some newspaper comments on a speech delivered by the present Minister of Trade and Commerce (Mr. Euler) in connection with the budget of 1924. I quote from the Toronto Mail and Empire of May 10, 1924:

Mr. Euler: I say that is a policy which I cannot support—

Mark you, Mr. Chairman, the present tariff lowers the duties even further than was proposed in 1924 with regard to ploughs and the other machinery included under item 409c.

I say that is a policy which I cannot support, if the words of the Minister of the Interior reflect the considered policy of the government, and it is a policy against which I must protest in the interests of my constituents—

Mr. EULER: May I interrupt? I am not anxious to go into ancient history, twelve years ago, but will my hon. friend state what he is reading from, or what the reference is?

Mr. MacNICOL: It relates to the budget of 1924.

Mr. BENNETT: The death-knell of protection.

Mr. MacNICOL: Yes, I assume that is what it was.

Mr. EULER: Well, my hon. friend should know, because that is important.

Mr. MacNICOL: This present tariff is on the way to be the death-knell of industry.

—it is a policy against which I must protest in the interests of my constituents.

I would like to see other hon. members rise in their places and protest in the interests of their constituents. The hon. member for Trinity (Mr. Plaxton) should be on his feet, representing the large number of men who work for the Massey-Harris company. The minister continues:

I cannot make that protest either consistently or effectively by speaking one way and voting the other, and for that reason I propose to vote against the budget.

Continuing, the minister said:

Party allegiance should be something apart from tariffs, Mr. Euler believed. "If my views on the tariff do not let me call myself a Liberal, my lifelong conception of Liberalism has been incorrect."

I congratulate the minister on having said those words, and I should like to see other hon. members on the government side, representing not less than one hundred to one hundred and fifty substantial companies of this country whose businesses are going to be seriously affected by the lowering of these agricultural implement duties, rise in their places and use those noble words that the present minister used in 1924.

I want to say a word further about the workmen. A movement is commencing at present

through which I believe that workmen in the plants in Ontario and elsewhere will establish a defence of their jobs for themselves. There are so few who stand up and defend the worker and his job, which has been seriously affected by so many asking for the lowering of duties. I have in my hand a placard, addressed to the workers in the plants. I hope that before this year is out every industrial institution in Canada will plaster its shops from one end to the other with information to enable its workmen to do something on their behalf to understand the tariff. This placard reads:

Your Business

Your job depends on Canadian tariff rates preventing unfair competition from workers in other countries.

These tariff rates are set by the members of the dominion parliament at Ottawa.

Your member of parliament should know what the textile tariff means to you.

He is your personal representative. He votes for you when the tariff rates are decided.

Mr. DUNNING: Does my hon. friend approve that?

Mr. MacNICOL: Approve what?

Mr. DUNNING: That sort of thing?

Mr. MacNICOL: I approve workmen becoming conversant with what provides a job for them, and the defence of their jobs. I realize that if 20,000 workmen in the United States make goods for shipment into Canada which are now made and can be made in Canada, that displaces 20,000 workmen in Canada.

Mr. DUNNING: That, of course, is not at all the question I asked.

Mr. MacNICOL: And I approve the average workman becoming conversant with any information that will enable him to have a knowledge of what enables an employer to give him a job.

Mr. DUNNING: Will my hon. friend be good enough to tell me what institution posts that kind of notice in its plants, and will he place the whole notice on Hansard?

Mr. MacNICOL: Yes, I will place this notice on Hansard.

Mr. DUNNING: And the name of the concern?

Mr. MacNICOL: The name of the concern is not on it.

Mr. HEAPS: The organization that put it out?

[Mr. MacNicol.]

Mr. MacNICOL: I do not know the organization that put it out. But I do not see anything wrong. Why should not the workmen of this country become conversant with the benefits of the tariff? It is high time they did.

Mr. DUNNING: That is not making them conversant with it.

Mr. MacNICOL: Of course it makes them conversant with it, by directing their attention to the study of the tariff. I do not see anything wrong with that. I am not in accord with anything that gives any further trouble to the government in these trying times; on the other hand I am in favour of whatever will provide employment. My life has been different from that of many hon. members. I have associated with thousands of workmen for many years. I have seen many men laid off and taken on, and I have always made up my mind that I would raise my voice in support of anything that would provide more employment. Agricultural implements are only one line; I hope they can continue in existence, but if they cannot, I shall be sorry. The government know what happened to many plants in 1924. Someone said something about the good times that came after the tariff of 1924. I know that in September, 1924, a large delegation, manufacturers from all over, Toronto and elsewhere, came to Ottawa to attend what was called an unemployment conference. I do not remember who called it but they met here to try to suggest ways and means to provide employment.

Mr. REID: Where was my hon. friend last year when the industrial and international relations committee was sitting and I wanted Canadians hired on our ships?

Mr. MacNICOL: Well, I have been in the house right along: I am one who is generally in his seat.

Mr. REID: I have missed the hon. member out of his seat many times.

Mr. MacNICOL: The hon. member is out of order; he is talking about a committee I was on and a report which I supported, as I assume the hon. member did.

Mr. REID: The hon. member did not support it.

Mr. MacNICOL: In closing, I want to tell the minister that I do not question his sincerity in the action he is seeking to take; he is perhaps doing what appears to him best. On the other hand I hope he will grant my

sincerity from my background of long association with workers and my firm conviction that I should on all occasions do what I can to defend the employment of workers. I do know this, that when a plant has a thousand men working there are a thousand contented families. I was associated myself with a plant that formerly had nine hundred men on its payroll, and to-day, not as a result of anything the government did, that same plant has, I believe, about one hundred men. That is not a line of goods which has been affected by the tariff; this situation is due to conditions of the times, perhaps.

Mr. DUNNING: We are not guilty of that one?

Mr. MacNICOL: No; the minister will admit I have given him credit for many things, and I hope that whenever I can say a good word for what anyone is doing, irrespective of party, I shall do so. On the other hand what I have said is based upon my experience and observation of a number of agricultural implement plants, seeing what they are up against; they are trying to keep going but they fear that they may not be able to do so.

Mr. GOLDING: I have always been interested in hearing the hon. member for Davenport (Mr. MacNicol) discuss the different questions that come up in connection with our tariffs, and the interests of the workingmen. I suggest every hon. member should be interested in the working man and the agriculturist. Representing an agricultural constituency, I am aware of the situation in which the farmers find themselves. When one goes among these people it is most discouraging to find that they are scarcely able to make ends meet, to say nothing about being able to enjoy the comforts of modern conveniences, to which they are certainly entitled.

When the government take action of this kind in connection with the implement industry I am quite sure they have no intention of trying to injure the workman. They are attempting to better his position and also that of the agriculturist, who is engaged in the greatest industry in Canada to-day. If the hon. member who has just spoken is so concerned about the workman—and I am going to confine my remarks to the agricultural industry—then I think he ought to read the records of what happened after 1924, when the tariff was reduced. I am quite satisfied that if the reduction in tariff made at that time had thrown thousands of people out of work, as we are asked to believe, the government at this time would not be putting the duty back to where it was in 1930.

Mr. MASSEY: Would the hon. member permit an interruption.

Mr. GOLDING: Just a minute; I do not often speak in the house. The hon. member has said that we ought to have a reversal of the present policy. We had that in 1930, when the tariffs on these commodities were raised materially. We had an increase in the tariff on binders amounting to 300 per cent and in that on seed drills amounting to 233 per cent. We could go through a long list of items, showing a complete reversal of policy in 1930. I take it that the hon. member is concerned about the workmen, as I am. I have a keen interest because I spent most of my life in the industry. The report of the price spreads commission shows that the average number employed in the implement manufacturing industry for the years 1931, 1932 and 1933 was 3,878, whereas in the two years preceding 1931 the figure stood at 9,068. The average number employed in the nine full years between 1922 and 1930, was 8,780. According to the bureau of statistics in the years 1931, 1932, 1933 and 1934, the average number was 3,500. The average wages and salaries paid in the nine years between 1922 and 1930 is given as $1,206, while the average in the years 1931 to 1934 stood at $1,010. The average production for the nine years I have indicated is given as $31,723,000, and that for the latter period stood at only $7,457,000. In 1929 there were sixty-two plants operating and in 1934 only thirty-five.

The hon. member for Greenwood (Mr. Massey), in speaking a short time ago, indicated that 18,000 jobs were in jeopardy. To-day the hon. member for Davenport has asked why so many jobs should be jeopardized. I should like to place on record figures given to the price spreads commission showing the numbers employed in the industry. The hon. member for Greenwood said, "I say to-day that the jobs of 18,000 men are at stake. Yes, and how many more jobs are there at stake in industries which contribute raw material?" I take it for granted from the hon. member's statement that there are 18,000 jobs in the industry itself. The report of the price spreads commission indicates that in 1929 the total number employed in four of the largest agricultural implement concerns was 10,408, and in the ten smaller concerns, the sections of the industry which represents over ninety per cent of the production, 708 were employed, making a total for that year of 11,106. In 1933 there were 3,880 employed. When we refer to the number employed, what do we mean? First of all, we have the factory workers, and we find that in 1929, there were 7,276 employed, whereas in 1933 there were

only 1,989. In 1929 there were 172 employed in factory administration, and in 1935 there were 105. In 1929 there were 1,201 clerks employed, and in 1933 only 515. In 1929 the figure for selling, or for agents, is shown as 1,709·5 and in 1933, it is 832·6.

The table is interesting from the viewpoint of the worker. Hon. members who have spoken have shown great concern for the worker, and may I say that he is the man in whom I am interested. Further than that, I have a great interest in the farmer who, under present conditions, is scarcely able to exist. We find that in 1929 in the four large industries executives salaries averaged $7,394, and wages to workers averaged $1,219. What was the situation in 1933? In that year the executives still had the high average of $6,512, but the average for the factory worker, the man who produced the goods, was reduced to $837. If we take the figures indicating what happened between 1924 and 1930 and those for the period from 1930 to the time the figures were given to the price spreads commission we must agree that during the previous years the worker was in a far better condition than he was when a duty of twenty-five per cent existed. That must be the conclusion, if we are going to attribute it all to government interference with tariffs.

I submit that the figures are all against those who contend that the worker is going to lose his job if the tariffs on implements are reduced. So far as my personal experience is concerned, the best years the country had were when tariffs on implements were the lowest, and the best years the farmers had were when tariffs were the lowest. I am sure that the chief concern of the government is to help the worker and also to help the agriculturist. My hon. friend referred to what happened in 1924. He said tariffs were reduced and disastrous results followed. What are the figures? We find that, according to the bureau of statistics, in 1924 there were 6,700 employed in the implement business; 1925, 7,559; 1926, 10,091; 1927, 11,011; 1928, 10,867; 1929, 11,408; 1930, 7,405. Then we come to the time when the tariff was increased. If that was calculated to help the situation it should be reflected in the figures.

Mr. MacNICOL: Will the hon. gentleman repeat how many were employed in 1930, the first year of the depression?

Mr. GOLDING: There were 7,405.

Mr. MacNICOL: That was the first year of the depression. The hon. gentleman seems to forget all about the depression.

[Mr. Golding.]

Mr. GOLDING: I am not forgetting about the depression. I have been in this business for thirty-five years. In 1931 the number employed was 4,471; 1932, 2,758; 1933, 3,039; and 1934, 3,706.

Mr. MacNICOL: Improving.

Mr. GOLDING: That was the situation with reference to the employees. I want to be fair, but if the tariff itself was to be the means of providing these men with work, as was promised in 1930, it absolutely failed, and if a reduction in the tariff was calculated to throw men out of work, as we were told in 1921, the figures show that the very opposite happened. I remember the debates and discussions that took place in 1921 as to what would happen if these tariffs were reduced. But these figures tell the story better than any discussion on the platform or anywhere else.

Mr. MacNICOL: The hon. member recalls what happened in the election of 1925, I suppose?

An hon. MEMBER: 1935?

Mr. MacNICOL: In 1925.

Mr. GOLDING: I am not concerned with what happened in any election. I am citing these figures.

Mr. SPENCE: Oh, give us some figures of your own.

Mr. GOLDING: I could do that. Let us see what happened to capital. In 1924 the capital invested in the industry was, in round figures, $82,000,000; 1925, $81,000,000; 1926, $78,000,000; 1927, $88,000,000; 1928, $91,000,000; 1929, $103,000,000; 1930, $98,000,000. In 1934 it was $55,000,000. Let us consider the amount of wages paid after these "disastrous" tariffs were brought into effect in 1924. In that year—I am giving round figures—salaries and wages were $8,000,000; 1925, $9,000,000; 1926, $12,000,000; 1927, $13,000,000; 1928, $13,000,000; 1929, $14,000,000; 1930, $9,000,000; 1931, $4,000,000; 1932, $3,000,000; 1933, $3,000,000; 1934, $3,000,000. If anybody, in face of these figures, can stampede the industrial worker, he can do more than I would ever attempt to do or than I think anybody should attempt to do.

Mr. COLDWELL: I think one should provide some antidote to the speech of the hon. member for Davenport (Mr. MacNicol). In my opinion the reductions that have been made in the tariffs on farm implements are to be welcomed and the government is to be commended for having made them. I should

like to have seen implements put on the free list, and the hon. member for Davenport provided me on one occasion with what is perhaps the best argument which has yet been made in the house for such a proposal, in stating that the cost of a group of five implements at Hallock, Minnesota, was higher than the cost of the same implements at Emerson, Manitoba.

We have heard a great deal about the workers. The hon. gentleman who has just taken his seat (Mr. Golding) gave some very interesting figures regarding the salaries and wages of workers during a number of years. When I was a boy I was brought up in an atmosphere of political discussion, and the particular subject that was keenly debated in my boyhood days was Mr. Chamberlain's tariff reform proposals. I well remember it used to be said that we need not worry about a tariff because the foreigner paid the tax. Well, then I bought a ticket to Canada, and I found that in this protected country the people of Canada paid the tax. But here I encountered an entirely different argument, namely that it was necessary to have the tariff to foster our infant industries. That was twenty-six years ago, and apparently the argument still persists that we should have the tariff to protect industries which are infants and need some protection; that is particularly true, of course, of the agricultural implement industry. Yet we find that the industry is one of the largest in Canada and that a considerable percentage of its output is sold in foreign markets where it has to compete with that of other countries. Consequently, it seems to me, the industry should have reached the adult stage by this time and we might quite safely leave it alone.

Though I should like to have seen implements placed on the free list, I am not going to make a motion to that effect, as I did on another occasion, because I believe that the government is to be commended for having gone so far as to reduce the duty by 17½ per cent in one year, and that we should see exactly what the reaction will be in the next few months. I should like to point out that only industries which are well organized and have reached the stage of trustification can possibly maintain prices at a high level in the face of decreased protection, and it seems to me that implement companies have made a very serious mistake, from their point of view, in increasing the prices of their products when the tariff protection was reduced. I think, if this continues, the government should take the appropriate steps to see to it that advantage in this way is not taken of the present situation.

I do not propose to say a great deal more about the matter except that I know the figures given a few moments ago by the hon. member who immediately preceded me are correct, because I looked them up. I have noted one point. Whereas the managerial end of the industry maintained the salaries that were being paid, the ordinary, common run of the workers took very substantial cuts. I worked this out in connection with the four largest companies, and I find that fifty managerial employees received 2·57 per cent of the total wage bill in 1929 and 7·51 per cent in 1934. In the ten smaller companies the rate was something like nine per cent in 1929 and fifteen per cent in 1933.

Mr. DUNNING: Did that come about by increases?

Mr. COLDWELL: No; there were decreases.

Mr. DUNNING: Uneven decreases?

Mr. COLDWELL: Yes; the cuts fell more heavily upon the lower paid people. This fact was brought out by the price spreads inquiry: The more highly protected an industry, the worse the conditions in it. I do not say that this is true of the agricultural implement industry; I make that as a general statement. This has been found to be so in the textile industry. In connection with the discussion on crude oil I stated that the producers of western Canada had to buy in a protected market while they had to sell in markets where there was no protection. The producers of western Canada are not in a position to buy implements to-day. A short time ago the hon. member for Winnipeg North (Mr. Heaps) said that we should let antiques come in free. If things go on as they have been going, many of these producers in western Canada will have to import antique implements in order to obtain repair parts, and I suggest that they be allowed to come in duty free. I just rose to say we in this corner are glad to see the reductions and we hope they will be reflected in the price levels to our producers.

Mr. MASSEY: I had the privilege of speaking in this committee on May 5 in defence of the workers engaged in the farm implement industry. I spoke out of a deep sincerity of purpose and with some knowledge of the facts. Since that date I have listened to many discussions, both in and out of this chamber, relative to the points covered in my remarks. I have the highest regard for the integrity, honesty and well-meaning purpose

of those who speak in this chamber, and that which I have to say now is said out of that regard.

The hon. member for Huron-Perth (Mr. Golding) referred a moment ago to several matters in connection with the implement industry which to him appeared to be salient and important. He had perused some figures given him by the bureau of statistics, and he referred to other figures as well that told a story which he interpreted in the way he disclosed this afternoon. Again I say that I do not for a moment doubt the sincerity of purpose behind that interpretation and I know my hon. friend will not misunderstand me when I say that figures on paper, taken without knowledge of the facts behind them, are insidiously dangerous and may be terribly misleading. I heard the hon. member refer to 1924; I heard him refer to 1929; I heard him refer to 1930, and right up to and through 1936, without a single word of reference to world conditions. I heard him refer to implements in 1924 and to implements in 1936 as if he were speaking of the same implements. I repeat that it is very misleading merely to consider figures on paper without a knowledge of the facts back of those figures. There were low duties on farm implements in 1924, in 1926, and up to 1929; it is true that the business of Canadian companies increased, but the hon. member made no mention of the reduction in the duties on raw materials going into those implements.

Mr. GOLDING: I am in favour of that too.

Mr. MASSEY: The hon. member made no mention of the reduction in the duties on raw materials; he made no reference to the fact that a preference in duty was given to the manufacturers of farm implements by way of a reduction from 37½ per cent to six per cent as far as their raw materials were concerned. When the hon. member was referring to the increase in the business of Canadian companies, did he mention the increase in the business of other companies? Did he mention that that increase was out of all proportion to the increase in business of Canadian companies? It is very simple to attempt to defend an argument with figures on paper without reference to the facts. What percentage of increase in farm implement business did the Canadian companies enjoy compared with what was enjoyed by other companies?

Why did the hon. member challenge the figure of 18,000 which I gave as the total number of men engaged in the implement industry? I propound again that that figure is absolutely accurate, even in the face of the figures from the bureau of statistics quoted by the hon. member. These figures, I assume, do not include agents, agents' helpers and so on. Let me take a hypothetical case. Here are two men who are depending for their livelihood upon their jobs. Here is one man depending for his livelihood upon his job. Is not the principle involved in taking away the jobs of the two men exactly the same as that involved in taking away the job of the one man? What matter if it is 18,000 or 9,000, the principle is the same, so why debate the exact dimensions of the figure?

One cannot help being alarmed when he considers that this is an old and established industry, made up of various companies within it, which has made a magnificent contribution towards the development of this country but which is threatened to-day without a chance being given to it to make representations on its own behalf. I am not standing in my place here this afternoon for the purpose of taking up the time of this committee, for the purpose of objecting to what that one said or what this one said, or for the purpose of having some words of mine recorded on Hansard; I am here with all the earnestness of which I am capable to urge upon the government, as I did before, the fact that there are those who regard it as hopelessly unfair when the criminal is apprehended and sentenced before his trial.

Mr. KINLEY: That would not matter if he is a criminal.

Mr. MASSEY: Would you take the law into your own hands and say that he should be sentenced before his trial?

Hon. members were no doubt interested in hearing from the hon. member for Rosetown-Biggar the respective percentages of the earnings enjoyed by those who work with their head and their hands and those who work with their heads. The hon. member for Rosetown-Biggar (Mr. Coldwell) compared from memory the percentage of salaries paid compared with the total moneys paid by the implement industry in 1929, I believe, and in 1934. In 1929, it was two per cent, was it not?

Mr. COLDWELL: 2·5.

Mr. MASSEY: Compared with—

Mr. COLDWELL: 7·51.

Mr. MASSEY: —in 1934. I am not here to speak for the man who is an executive alone, not by any means. I worked up from the factory to an executive position in the implement industry and I felt that my salary

was far too low; in fact I knew it. There are those who hold positions of importance in the implement industry who, in my estimation, may at times have received salaries higher than should have been paid. I felt so at the time and feel so to-day. But I submit that it is unfair to the industry as a whole to take the percentage of salaries of executives in one year and to set that percentage beside the percentage of salaries paid in a year of deep depression, when naturally the number of those who are in factories and in other fields where wages are paid is reduced. In one company alone of which I know, $5,000,000 of so-called head office expense and other savings along that line was taken out per annum, in times of depression when hundreds are employed instead of thousands. The executives to whose salaries reference has been made this afternoon by the hon. member for Rosetown-Biggar have had reductions of ten, twenty, forty and perhaps fifty per cent, but the men are still there; for someone must conduct the executive responsibility of the business.

The question of foreign markets for the implement industry as a whole has been a most difficult one. Questions of exchange, questions of this, that and the other have come into the whole picture, making it necessary for some companies, if they wish to maintain their business in foreign countries, to change their method of distribution and perhaps of manufacture. Then the question is asked in this chamber: Why is it that if a Canadian company cannot compete in its own country it can compete in a foreign country? I had hoped that my attempt to make this clear, when I spoke in this chamber on May 5, had registered to stay; but the very fact that in the United States last year the volume of business was twenty times what it was in Canada, and the very fact that we are right next door to the United States, make a colossal difference to the one who manufactures and sells in Canada. But if one goes to some foreign country where sales are relatively small, where even large companies compete on the same basis as small companies, for the reason that their selling organization is not nearly so large proportionately in that country, then I postulate that the picture is entirely different.

We face in the implement industry in this country to-day a far different situation from that which prevailed in 1924 and in other years before 1929. As I say, the whole picture is changed. Millions upon millions have been spent by the implement industries in both this and other countries for the development of machines; millions have been spent in this and other countries for the maintenance of service, which has not been permitted in one iota to vary in its efficiency at all times even when sales were dropping and the bottom was falling out, and this not in Canada alone but to an even greater degree throughout the world. There has been a challenge to the industry to maintain itself through these years and the industry has done so.

I have the highest regard for the farmer and the keenest appreciation of his problem, and any measure which can be introduced on his behalf and for his benefit, which is not only in his interest but in the interest of the country as a whole, I endorse every time. But why is it there is always this fiendish glee in pursuing the implement manufacturer, who seems to be regarded by so many as the arch villain of the piece? Three dollars out of every hundred dollars spent by the farmer is spent for implements. I tried to point that out the other night. Why do we not pursue some of the other manufacturers who furnish the farmer with goods? In this chamber I read a list showing that articles in everyday use on the farm are priced per pound higher than implements are priced per pound, and an implement lasts anywhere from ten to fifteen or twenty years. I myself have serviced a binder cutting its forty-fifth crop. Why this relentless pursuit of the implement industry alone? Does the implement industry itself hold in its hand the key to the success of the farmer? Does this industry alone hold in its hand the key to his failure?

At six o'clock the Speaker resumed the chair and the house took recess.

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## After Recess

The house resumed at eight o'clock.

## PRIVATE BILLS

### SECOND READINGS

Bill No. 62, for the relief of Pedro Alfonso Baptista.—Mr. Johnston (Lake Centre) (for Mr. Jacobs).

Bill No. 63, for the relief of Louise Isabel Sutherland Chaplin.—Mr. Casselman (for Mr. Walsh).

Bill No. 64, for the relief of Clara Violetta Dodge Connolly.—Mr. Heaps.

Bill No. 65, for the relief of Marie Consuela Hill Montabone.—Mr. Johnston (Lake Centre) (for Mr. Bothwell).

Bill No. 66, for the relief of Lona Marie Vaughan Burnett Gravina.—Mr. White.

## CRIMINAL CODE

### PROPOSED ABOLITION OF HANGING AS DEATH PENALTY

The house resumed from Tuesday, May 19, consideration of the motion of Mr. Blair for the second reading of Bill No. 10, to amend the criminal code (death penalty).

Mr. BLAIR: Mr. Speaker—

Mr. SPEAKER: I would direct the attention of hon. members to the fact that if the hon. gentleman speaks now he will close the debate.

Mr. J. K. BLAIR (Wellington North): Mr. Speaker, I will endeavour to be brief, for various reasons. In dealing with this question of the abolition of hanging and the substitution therefor of the lethal chamber, there are different theories of punishment that come to mind. The first is retribution; the next is the theory of deterrence; the next is the reformative theory; the next is the educational theory; the last is the theory of disapprobation, and sometimes there is restitution.

In dealing with this question previously we discussed the theory of retribution, and we did not hear anyone approve hanging for the purpose of retribution. That is the old theory, an eye for an eye and a tooth for a tooth, the theory that a man should be punished because he deserves punishment. That is looking backward, punishing a man as a fact and not for the benefit of the social order. We feel that this old dispensation has gone, and I was glad to note that hon. members did not approve that old theory of retribution. That was the theory which prevailed in Scotland when they massacred one another; it was the theory of the guillotine in France, when they beheaded one another, but that theory has now pretty well disappeared.

Then we come to the theory of the deterrent effect of punishment. The strange fact about punishment is that the more we progress in knowledge and intelligence the greater becomes the sphere of crime. Crime is the product of the social order, and it seems that the higher we rise in the social order the greater amount of crime we have. The tendency has been that though crime has become largely extended the severity of the punishment, broadly speaking, has decreased. At one time, not so many years ago, in Great Britain there were two hundred crimes for which people could be hanged. To-day there are only four or, practically speaking, only one, that of murder. The deterrent theory is perhaps the most important question to be considered. It has been suggested during this debate that we punish people for the benefit of the social order, and this theory is much to be preferred to that of retribution. We have a utilitarian motive, as Bentham expresses it; we punish for the purpose of preventing similar wrongs by others against the social order, so we think the deterrent theory is good. But that theory has to be watched carefully, because we can make errors in it. For instance, if the deterrent theory is beneficial, why not have all hangings in public squares, as was the case long years ago? That finally met with the disapproval of the public; we found that it was a detriment to the social order, so hangings were carried out in private places. I think that was a correct move to make.

The next question is whether we should punish so severely as to cause pain. I still have the utilitarian idea that pain has no beneficial effect. If we are not punishing for a purpose, then to inflict such punishment as to cause pain is a sin against humanity. If we can punish the victim and at the same time improve him; if we can punish him so that the punishment will bring about an educational reform, that might be different. I would not be opposed to punishment of that kind, but when we punish a victim on the edge of death, when no benefit can be derived, I think that policy is entirely wrong.

I have before me many expressions of opinion from different associations and organizations. I am not going to take time to read them all, but I should like to make some reference to a few. I have a communication from the Ontario sheriffs' association, as follows:

That in the opinion of the sheriffs of Ontario in convention assembled, the method of inflicting the death penalty in use in Canada is a relic of mediaeval days and the advance in humanitarian civilization calls for the substitution of a more human method. Furthermore in our opinion a central place in the province should be provided for imposing the death penalty, thereby ensuring and facilitating the proper administration of justice and materially reducing the considerable cost to the public of the present gruesome method.

This is from the Halifax Herald:

Here is a case where a man from another province invades a peaceful local community, murders and robs a respectable and almost helpless citizen, and sets fire to his house in the hope of concealing the crime, which he has now confessed. Notwithstanding his confession this man will still have to receive a formal trial. A jury will have to be summoned for the purpose, and very considerable cost incurred, most of which will fall on the ratepayers of a municipality which has been deeply sinned against instead of sinning. But there is worse than that to follow. If the

accused should be convicted, his execution will follow as an additional and most distressing burden on the officials of that municipality. This is conspicuously unfair and unjustifiable. There is no modern excuse for it. If a less sentence than that of death were imposed on this or any other criminal, the convict would at once be removed to a central penitentiary to undergo punishment. Only in the case of murder is the municipality compelled to provide for the execution of the court's sentence.

Then I have a letter from Arthur Ellis, the hangman. He says:

I would deem it an honour to be able to assist you or any other responsible party in the attainment of this humane reform. This question, I am led to believe, will come up for discussion at the interprovincial premiers' convention in Ottawa next week, but I am sure on account of it being of great importance it will be shelved to be taken up by some committee who really know nothing of the situation or of this serious matter....

Arthur Ellis trying to have hanging set aside!

I might refer to the experience of other countries. I have opinions from many other countries and from many states of the United States. Some of the states still approve hanging. The state of Connecticut changed to the electric chair, as did the state of New York. A number have changed to the lethal chamber.

I have letters from most of the provincial premiers approving the change in our method of punishment; the only one who seemed indifferent was Mr. Taschereau, of Quebec. His letter reads:

I am in receipt of your letter of March 26, regarding the best method of executing criminals.

I beg to state that I have no set opinion on this matter. Hanging is perhaps not a most humane method of executing criminals, but it is after all perhaps the best deterrent, and this, to a great extent, is what society has in view in instituting capital punishment.

I have a letter from Arizona, which has changed to the lethal chamber; a letter from Colorado strongly approving the lethal chamber; one from Wyoming; one from Nevada which I think I should read because some criticism was made of their methods. This is from the attorney general:

There was a great deal of discussion and quite a good deal of criticism of this method of inflicting the death penalty in such cases in this state when it was first adopted. This criticism resulted in quite a thorough investigation of the method and of its effect on those who were subjected to the death penalty by means of lethal gas, by prominent physicians both of this state and some of our neighbouring states. After quite a thorough and extensive examination by such physicians of the first few instances and first few persons who were subjected to this penalty, these physicians determined that this was the most humane method known by which the death penalty was inflicted.

I greatly appreciated the fact that the Minister of Justice (Mr. Lapointe) the other day spoke with some approval of this bill. I was glad to notice that the hon. member for Winnipeg North Centre (Mr. Woodsworth), the hon. member for Broadview (Mr. Church), the hon. member for Fort William (Mr. McIvor), and the hon. member for Hamilton West (Mr. Wilton) also spoke in favour of it. The hon. member for York South (Mr. Lawson) spoke to some extent in opposition, but still he made a statement which I think is helpful, as to the deterrent value of punishment. He said that the greatest deterrent is the certainty of prosecution and the certainty of punishment in case of conviction.

The leader of the opposition (Mr. Bennett) criticized this proposal and said:

We must not forget that those about whom we are so solicitous were not solicitous for those whom they destroyed. When they wreaked their vengeance, by murder dark and foul, they were not thinking of the pain they caused or the injury they did; they were not thinking of the sorrow they caused to those who survived. In this age there are always manifestations of our becoming victims of maudlin sentimentality and thinking in terms of the pain and suffering of one whom we are removing from society because of his offences against it, but at the same time I suggest that we should never forget those who have suffered because of the offences which have been committed.

I think the leader of the opposition was wrong in one or two of those statements. I think we should forget, if possible, the one who is gone. We should direct our attention to the social order to prevent a repetition of similar crimes. This idea of stirring up sentiment because of the killing has to do with the theory of retribution, which should not be present in our law courts or in our arguments on this matter. The leader of the opposition accused some of us who support this bill of maudlin sentimentality. That, I think, was a very unfortunate word, and I rose to correct him at the time. "Maudlin" comes from the French spelling of "Madeleine" which refers to the sympathy of Mary Magdalene. We have the approval of a higher authority than the leader of the opposition for the sympathy of Mary Magdalene. I hope I am one of the victims of that sentiment; I think it would be a good thing if many of us had more of the Magdalene's sentimentality and sympathy for the poor classes. I think the leader of the

opposition used that word without realizing the seriousness of its implication.

Now, Mr. Speaker, this bill has received much approval from most hon. members I would say, who have expressed their views. It has been suggested by the Minister of Justice that I should withdraw it until the matter can receive further consideration, and I think that is the proper method. This question should not be dealt with hurriedly; it is a serious matter and should receive due consideration. I am delighted to think that the Minister of Justice is prepared to give it such consideration. He has suggested that I bring it up at the first week of the next session. I am, therefore, glad to adopt his suggestion.

Bill withdrawn.

## WAYS AND MEANS

### CUSTOMS TARIFF AMENDMENT

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

Mr. MASSEY: When the committee took recess at six o'clock I was speaking of some questions in the minds of many relative to the situation in regard to the farm implement industry, as a part of the whole picture of Canadian industrial and economic life. I have only a few more words to say, but to me they are exceedingly important and I hope hon. members will feel the same way.

One cannot remain long in this august chamber without realizing with crystal clearness that throughout this vast dominion we have a series of sections, the outward manifestations of which are found within those sections. One realizes there is a group here, another group here and another here across the dominion, possessing points of view peculiar to themselves and points of view which to them are exceedingly precious. It is difficult indeed, particularly for western farmers, to catch the point of view of the eastern industrialist. In turn it is difficult for the eastern industrialist to catch the point of view of the western farmer.

We are Canadians, and as such we are interested in the fullest and best for this Dominion of Canada. No one section is pitting itself against another or striving for any supremacy peculiar unto itself. It is to be sincerely hoped that, according to the sentiment so ably expressed on more than one occasion by the Minister of Finance, there will be built up within Canada a feeling of confidence in the country not only as a country but as a producing country, producing the products of the farm and those of the factory. It would seem to me that any step taken further to sectionalize this dominion, or further to give expression to the desire of one part to achieve for itself at the sacrifice of another, is after all that which must be regarded as definitely unfortunate. The eastern manufacturer finds it difficult to understand why the western farmer demands that certain things be done when, as a result of those very demands, the eastern workman realizes that his job is in jeopardy.

Those of us who take a keen interest in the affairs of the country—and that means all hon. members and many thousands of people outside this chamber—do not want to see injustice done to any one section. If—and this is only an assumption; I do not concede it for a moment—the implement companies have been unfair and have functioned in a manner which has brought about the exploitation of the farmer, then indeed those implement companies should be brought to task. Thus it was that when it was sounded from coast to coast that there was to be a committee to investigate the implement industry and to make a report, both sides of the house were satisfied. For, indeed, it was felt that the offspring of that body would be conceived and born in fairness. To-day I believe that committee still sits. To-day the tariff on farm implements has suffered its second reduction since the first of the year.

I postulate that this condition brings about an unfairness which is felt in the manufacturing east, while the primary producing west hopes that it may bring a reduction in implement prices and, judging from what has been said by hon. members, regardless of the effect on industry in the east. In all sincerity and deepness of feeling, speaking as one representing a constituency in which industrial workers make their homes, I ask that due consideration be given this great question, for indeed it is a great one. Nine thousand men engaged in industry—or is it 18,000? I say it is 18,000. Regardless of whether it is 9,000 or 18,000, let us say: "Here are 9,000 breadwinners"; "Here are 18,000 breadwinners"—what matter the number? The principle is the same. I would be remiss in the responsibility placed upon my shoulders if I failed to stand in my place and to raise my voice in urging the government to reconsider this tariff item.

Mr. LEADER: The hon. member for Greenwood who has just sat down has made an excellent speech in defence of the agri-

cultural implement industry. I should like to say a word for the farmers, for that inarticulate mass whose voice is very seldom heard, that mass of the Canadian people who have usually been the prey of implement manufacturing companies and other combinations that infest this land.

I do not for a moment doubt the sincerity of the hon. member. He is imbued with a desire to help the Canadian people, and especially that class which he represents. I, too, would be remiss in my duty if I did not have something to say for the people whom I represent. When he speaks so eloquently in defence of the manufacturing industry I feel that I want to say something about the farmer who must buy the implements from the companies that manufacture them. May I say that after the duty on agricultural implements had been cut in half, and when the announcement was made that the price of those implements had been increased, rather than reduced, not only the farmers but the townspeople were shocked.

I hold in my hand a telegram from the board of trade of the city of Portage la Prairie condemning the action of the industry in increasing its prices and asking that something be done. We expected that after the duty had been reduced to 12½ per cent we would get the benefit of the reduction. I do not intend to go into figures; that was done, I believe, by the hon. member for Huron-Perth (Mr. Golding). I wish to give figures of the prices of farm implements in my home town, Portage la Prairie, showing what we expected after the reduction, and what we got. I do not want to delay the committee any longer than is necessary, but I think it is very desirable that this information should be placed on Hansard. In the last column I am going to give what I call the "gyp" price of the different implements. The figures are as follows:

Farm Implement Prices

| | 1936 | 1935 Prices unwarranted less 12½ per cent | Increase |
|---|---|---|---|
| 6-foot binder complete | $242 00 | $197 75 | $44 25 |
| 7-foot binder complete | 266 00 | 217 00 | 49 00 |
| 8-foot binder complete | 274 00 | 224 00 | 50 00 |
| No. 6 corn binder | 243 00 | 199 50 | 43 50 |
| 10-foot hay rake | 58 00 | 48 15 | 9 85 |
| 5-foot mower | 95 50 | 76 55 | 8 75 |
| 5-foot oil bath mower heavy | 113 00 | 91 45 | 21 50 |
| 20 D disc drill | 242 00 | 202 15 | 39 85 |
| 24 D disc drill power left | 293 00 | 244 15 | 48 85 |
| 28 D disc drill power left | 346 50 | 289 20 | 57 30 |
| 17-tooth cultivator | 100 50 | 82 25 | 8 25 |
| 17-tooth cultivator power left | 116 75 | 96 45 | 20 30 |
| 11-stiff tooth cultivator power left | 146 25 | 125 35 | 20 90 |
| 8½-foot one way disc | 298 75 | 252 65 | 46 10 |
| Manure spreader | 184 50 | 152 70 | 31 85 |

Mr. GRAYDON: May I ask the hon. member whether the term "gyp" is a technical term, and if so, how is it spelled?

Mr. LEADER: I may tell the hon. member that when we have to pay more than we should, we claim that we are "gypped" out of so much money.

Mr. GRAYDON: Will the hon. member kindly answer the question that I put to him?

Mr. LEADER: I understood that I had given the answer, and I am afraid that if the hon. member cannot understand it I cannot do any better. The result of the high price of farm implements is that our factories are closed. I am not going into statistics, but that is the actual effect of high prices; no farmer can afford to pay them. The implement manufacturing companies close their factories and discharge their employees. The figures prove that; it is apparent to every hon. member. My hon. friend from Davenport (Mr. MacNicol), whom I must compliment upon his ability to defend his constituents at every opportunity, is concerned about the workmen. The reason the factories were closed and we had so much unemployment was that the implement firms would not reduce the price of their farm machinery, and, it being a non-perishable product, they were able to fill their warehouses full of it, hold up the price, close the doors, and wait till the farmers bought it. But they did not expect the depression to last as long as it has lasted, and perhaps in the long run they have suffered more than the farmers.

Mr. MASSEY: May I ask the hon. member the authority for the last statement he made? Or is it a personal opinion?

Mr. LEADER: No. Here are the figures: In 1930 there were 7,504 employees in the agricultural implement industry. In 1934 the number was 3,706. I think that proves that

when the factories closed their doors they discharged their employees and aggravated the unemployment situation.

Mr. MASSEY: The hon. member stated that the implement manufacturers were able to hold up the price of their implements and fill their warehouses, and therefore the farmer was not able to buy, which, of course, in my humble estimation, is a totally incorrect statement.

Mr. LEADER: I do not wish to make an incorrect statement. I am satisfied that the farmers were not able to buy the implements, and I know the factories did not continue to manufacture, because they could not sell, and if they did not continue to manufacture, I do not think they would be likely to retain their employees, although they did retain the majority of their executives.

Mr. SPENCE: Was not the depression the cause of that?

Mr. LEADER: I agree with my hon. friend to the extent that I think it had a great deal to do with the matter; that is, the depression among the farmers.

Mr. SPENCE: More than the farmers.

Mr. LEADER: Hon. gentlemen on the other side of the house fail to realize the depression in agriculture. When there is depression in agriculture there is depression all along the line. The agricultural industry is not in a thriving condition at the present time, and it needs farm implements. I think the best illustration of our condition is to tell the committee that last fall I was in a farmer's yard; the men were tinkering at an implement, and one of them said to the boss, "We will have to get another carload of hay." He said, "Surely the hay is not done yet." "No," said the other, "but we are out of haywire." That is the condition of the farm implements on the majority of the farms of western Canada. The farmers have patched them and patched them again, and tied them up with haywire until they are in such a condition that the farmer must either quit or buy new machinery. But the facts prove that the agricultural implement manufacturers decided to raise their prices and take advantage of the farmers in their dire necessity. That is my opinion, and I think I am justified in holding it.

I do not intend to offer many more observations. I thoroughly agree with the hon. member for Greenwood when he says that this is a big country and that we should be working in the interests of every one in it, and not for any particular class. The machine companies and the farmers are interdependent; the welfare of the one depends upon the welfare of the other, and instead of having strife with these or any other companies, we should work in cooperation. When the value of farm products went down as it did in 1930 and during subsequent years, why did the machine companies not reduce the price of their implements so that the farmers could continue to buy, and thereby assist in keeping the factories open and giving employment to the people of Canada? That is where the farm implement companies made a mistake, and now they are paying the price. I hope they have learned their lesson, and I invite the hon. member for Greenwood, who represents the agricultural implement industry, to—



Mr. MASSEY: May I again interrupt? I do not represent the agricultural implement industry. I speak for the workmen in that industry.

Mr. LEADER: The hon. member mentioned the industry so often in his speech that I thought he was making a special plea on behalf of it. I believe that he mentioned the employees as well. The hon. member for Rosetown-Biggar (Mr. Coldwell) is not always complimentary to the present government; yet he was big enough this afternoon to confess that they were marching in the right direction. He gave the government credit for the reduction in the duty on agricultural implements. I want to say that I concur most heartily in that remark of the hon. member and I want to congratulate the government upon reducing the duties on agricultural implements to 7½ per cent. I think this reduction was warranted and perhaps we could go further. In view of the attitude of the agricultural implement companies in increasing prices, notwithstanding the fact that the duties had been lowered, I think the government of the day would be justified in cutting the duty off entirely and putting these implements on the free list. We have had free entry into the United States for a considerable number of years, and if countervailing duties are wanted, why not have them apply to agricultural implements? In view of the attitude of the farm implement industry, I think the government would be justified in wiping out the duty altogether.

Mr. DEACHMAN: I rise to express my surprise at the presence in the House of Commons of the hon. member for Davenport (Mr. MacNicol). I know he is a kindly,

generous soul privately, but I am surprised at the views he holds and I doubt whether the constituency of Davenport will accept responsibility for him. He told us this afternoon that the tariff was lowered in 1924; that statement is quite correct. Then he proceeded to demonstrate how employment declined, how labour was without its reward and how industry was paralyzed. I have the figures before me and I propose to give them for the benefit of my hon. friend. In 1924 industrial wages in the Dominion of Canada stood at $559,000,000. I propose to give the figures for the succeeding years. The next year they stood at $596,000,000; then they increased to $653,000,000; they went steadily up to $755,000,000, and in 1929 they reached a climax of $813,000,000. There was an increase between 1924 and 1929 of $250,000,000. Then there came a change in the following year.

Mr. MacNICOL: Might I ask the hon. gentleman a question?

Mr. DEACHMAN: My hon. friend's question can come later; I want to give the full thread of this story. I think my hon. friend will find that it is really charming if he can only see it in the right light. There then came a change and the right hon. leader of the opposition (Mr. Bennett) came into power. He said that it was necessary to save the industrial fabric of the dominion. I am not sure that he was not thinking of the textile industry; he was getting his fabrics mixed. We will let it go at that.

What followed? Down to 1933 there was a decline in industrial wages in the dominion, the drop totalling $348,000,000. I do not here and now contend that the lowering of the tariff in 1924 was responsible for the expansion of industrial activity in the dominion during the next five years. I do not raise that contention at the moment, but I ask my hon. friend from Davenport to sit down and look at the history of that period. When he does that I challenge him to come before the House of Commons and say that because the government of that day lowered the tariff industry was paralyzed. Will he go back to the people in his own constituency of Davenport and tell them that? Does he think the people of that constituency will accept it? I wonder that he can look the Davenportians in the face after a speech of that kind and after he has told them that their industries were ruined.

Mr. MacNICOL: May I ask the hon. gentleman a question now?

Mr. DEACHMAN: I do not know of any other hon. gentleman in this committee who never for a single second yields to the suggestion of lower tariffs, but the hon. gentleman from Davenport never does. This afternoon in a moment of kindness the leader of the opposition suggested that at least in one item the tariff was too high. I am reminded of the words of Dryden, who spoke of one Shadwell of his day as follows:

> Shadwell alone, of all my sons, is he,
> Who stands confirmed in full stupidity.
> The rest to some faint meaning make pretence,
> But Shadwell never deviates into sense;
> Some beams of wit on other souls may fall,
> Strike through, and make a lucid interval;
> But Shadwell's genuine night admits no ray;
> His rising fogs prevail upon the day.

I should like to transpose that a little and say:

> Some beams of wit on other souls may fall,
> Strike through, and make a lucid interval;
> But Davenport's genuine night admits no ray,
> His rising fogs prevail upon the day.

Mr. MacNICOL: Now may I ask the hon. gentleman a question?

Mr. DEACHMAN: My hon. friend must wait until I have finished. The suggestion is that the agricultural implement industry was ruined by the advent of this policy in 1924.

Mr. MASSEY: Who suggested that?

Mr. DEACHMAN: The hon. member for Davenport suggested that. He was saying that all industries were paralyzed, so surely the agricultural implement industry must have felt the shock. From 1920 to 1924 the progress of that industry in the Dominion of Canada was in one direction. The number of employees decreased from 12,800 to 6,700. Then the tariff was changed in 1924 and the number of employees increased year after year. They increased to 7,500, 10,000, 11,000 10,000 and 11,000. The hon. member for Greenwood (Mr. Massey) suggested that the total number of employees was 18,000, but he was counting every man who goes out from the Massey-Harris company to sell a binder or to fix one in the field. He assumes that if agricultural implements are not made in this country, none will be bought, none will be sold and none will be serviced. I return for one moment to the question of what would have happened in 1924 if the policy of the hon. member for Davenport had been put into effect.

Mr. MacNICOL: There would not have been any delegations coming to Ottawa to ask for employment.

Mr. DEACHMAN: My hon. friend can follow me in just a moment. He is as a pillar of cloud by day and a pillar of fire by night. If what my hon. friend claims is correct, then in 1924 the advance made by

this industry would have been more rapid than it was under the Liberal government. Does my hon. friend contend that? Will he suggest that to the house?

Mr. MacNICOL: I contend that the lowering of duties in 1924 increased emigration and the number of delegations coming to Ottawa to ask for employment.

Mr. DEACHMAN: That is exactly what I want my hon. friend to say.

Mr. MacNICOL: You have it.

Mr. DEACHMAN. Does my hon. friend contend that the increase in the production of manufactured goods would have been greater in the Dominion of Canada between 1924 and 1929 than it was?

Mr. MacNICOL: Yes, if we had had an adequate tariff.

Mr. DEACHMAN: These are the figures. The total production stood at $2,695,000,000 in 1924 and it went up to $4,063,000,000 in 1929. Does my hon. friend say that it would have been still greater? Let me point this out to the committee. My hon. friends had the direction of affairs from 1930 to 1933 and they pushed the tariff up to the limit. There was no hesitancy or weakness on their part; they pushed the tariff up to the limit. What followed? Production dropped to $2,086,000,000 in 1933 from $4,063,000,000 in 1929. Yet my hon. friend says that it would have been higher if they had been in power. In other words, it would have risen to greater heights and crashed to greater depths and unemployment would have been greater. I ask my hon. friend to take that story back to Davenport. I ask him to admit what he ought to admit. He can answer me later; there will be lots of time to-night. He claims that if the tariff had been applied in 1924 we would have increased the volume of production and we would have had more men employed. A tariff cannot be made to do more than the tariff did in 1933, and production had crashed then to half what it was in 1929. It would have had further to fall and the destruction of the industry in this country would have been greater than it was.

I turn now for one moment from Davenport to Greenwood. I like my pleasant friend; never for a moment does he say an offensive word. But he stood in the house to-day as the one outstanding illustration of the failure of the policy of high protection in Canada. Why do I say that? That industry has been for years one of the key industries of this dominion. It has been held up as an industry which has developed as a result largely of protection. The protective tariff was first granted it because it was an infant industry and it was thought desirable to build it up in Canada. What followed? The hon. gentleman tells us that this infant industry was established some ninety years ago, and it has been followed by fairly high protection. The tariff got down to six per cent on binders a few years ago, and when the Massey-Harris company appeared before the tariff board, at the time the iron and steel schedules were under inquiry, the representative of the company did not ask for an increase in the duty; they were ready then for a tariff of six per cent. After all these years, what has happened to the infant industry? Old and experienced, with abundant capital and everything else, it comes before the house and declares that the infant industry day is gone; that the industry has passed that stage, and that now it wants something for its old age. Is that not a perfect example of the folly and uselessness of protection, when you pile tariff on tariff—

Mr. MASSEY: Will the hon. gentleman allow a question?

Mr. DEACHMAN: Not now, please; I should like to finish. My hon. friend from Greenwood says that he is worried about the worker. What worker? Is the man on the farm not a worker as well as the worker in the factory? What does the hon. gentleman plead for in this committee? He pleads for the idea that something shall be taken from the worker on the farm and something shall be given the worker in the factory. If it were possible to build up industry on that basis then his argument might receive consideration; but we have had fifty years of experience of high protection in Canada and we have found that in no single period in that time have we had real prosperity under high tariffs, whereas in every period when the tariff was reduced there has been an improvement in conditions.

My hon. friend appeals against sectionalism. I would ask him to put this test to himself. The farmer in western Canada to-day produces grain that must be sold in the open markets of the world. He has no protection on that product, for he must take the price which is determined by open competition with every other producer. In that position he is without help; and my hon. friend says that, in order to avoid sectionalism in Canada, we should put the tariff back on agricultural implements so as to allow the manufacturer of those implements to take something from that farmer. And that is to be done in order to avoid the building up of a spirit of sectionalism in Canada.

Mr. MASSEY: I rise to a point of order. I have the highest respect for the hon. member, but he cannot put words into my mouth. I did not say that in order to avoid sectionalism the duty should be raised from 7½ per cent, but I did say that the investigation which is going forward at the moment should have been completed in fairness to all parties. And that I repeat.

Mr. DEACHMAN: The hon. member may make any statement he likes, but the fact remains that the only basis upon which we can avoid sectionalism in Canada is the basis of fairness to all. We cannot take one industry and say that it is the spoiled pet, the darling of this House of Commons or of the dominion, and that we are going to give that industry a special privilege to enable it to charge the people of Canada higher prices, and then say to another industry in western Canada, the growing of wheat, an equally important industry, that they shall grow wheat though hampered by the fact that the necessary implements cost more. There is the situation. Both sections of the dominion, all classes, must be treated on an equal basis. You cannot stand on the ground of special privilege and make an appeal on that basis in the House of Commons.

My hon. friend says that he has a great deal of sympathy for the farmer. I do not doubt that for a moment. He feels for the farmer and thinks something ought to be done for him. I respond to that and say that I have a great deal of sympathy for the manufacturer of agricultural implements, and I contend that you cannot build up an agricultural implement industry in this country on the basis of exploited agriculture. The price of agricultural implements to-day is sixty-one per cent above the price of 1913; the price of farm products is practically the same. I want to see something done to improve the condition of the farmer, because only on the basis of an improved agriculture can we hope to have progress in Canada. On no other basis conceivable can you build up an agricultural industry in this country, and it is on that ground that I make this appeal. We must do the best we can to raise the status of agriculture, for until that is done your industries are in danger, and the one that is in greatest danger is the manufacture of agricultural implements. It cannot prosper unless agriculture is also prosperous.

Mr. MASSEY: Will the hon. gentleman answer this question? What was the price of wheat in 1915, 1916 and 1917 in western Canada?

Mr. DEACHMAN: The price of wheat was held at that time at an unduly low level because of government control. The price did not reach the level it would have reached had it not been for government interference. But when it comes to the other proposition, the interference is the other way.

Mr. MASSEY: At one point in his remarks there was a question which I was anxious to ask the hon. gentleman in order to have his reply on Hansard. He referred to the low duty of six per cent in 1924, and he did not say what the duty was to the manufacturer of agricultural implements on the raw materials entering into the product.

Mr. DEACHMAN: The answer is very simple.

Mr. MASSEY: Indeed it is.

Mr. DEACHMAN: I took part in the proceedings of the tariff board for two or three years and always contended for a reduction in the duty on raw materials where the duty on the finished product was relatively low, and if the Minister of Finance proposes to make further reductions in the duty on raw materials I shall be with my hon. friend.

Mr. MASSEY: Will the hon. gentleman answer the question I asked?

Mr. DEACHMAN: Repeat it.

Mr. MASSEY: What was the duty—

Mr. DEACHMAN: I cannot go into the details of all the duties. Does the hon. gentleman expect me to give him all the schedules?

Mr. MASSEY: The hon. gentleman's whole argument falls down completely, for the duty on raw materials entering into the manufacture of farm implements, at the time the duty on implements was six per cent, was a preference duty of six per cent.

Mr. MacNICOL: May I ask the hon. gentleman a question?

Mr. DEACHMAN: Delighted.

Mr. DUNNING: Perhaps I could clear up that point. I do not want to get in between the hon. member for Huron North and the hon. member for Greenwood, but on the issue of fact with respect to the duty on raw materials I may say that the duty is and has been for many years six per cent.

Mr. MASSEY: I would not dare to correct the Minister of Finance, especially when there sit beside him those who have the facts and

figures, but I reserve the right, in all deference, to disagree with the statement he has just made. I have not the facts before me but I should like to have the privilege of looking them up.

Mr. JOHNSTON (Bow River): I wish to say a word in defence of the western man and especially in support of my hon. friend from Portage la Prairie (Mr. Leader). There seems to be a great deal of controversy over this tariff question, and I want to commend the minister for this reduction, provided that it results in a reduction to the farmers. Possibly as a result of this committee's investigation there will be a reduction in the price of farm machinery, but unless that reduction is passed on to the farmers then I do not think any reduction in the tariff will amount to a row of beans. The tariff does not enter into the question to a very great extent unless in the final analysis the farmer gets the benefit. We have heard a great deal said about these prices, but unless these reductions are actually forthcoming and the farmer receives the benefit of them they will not mean a thing. We have even heard a great deal of sympathy expressed for the farmer during the last little while. Sympathy is all right, but it is pretty hard stuff to eat, especially in these hard times. Consideration has been shown for the manufacturer. I do not suggest for a moment that the manufacturer should not be allowed a reasonable profit, but I say that the profit of the agriculturist should be greater, and until this business is settled we are not going to get very far.

It has been suggested here, as a solution for unemployment, that we should revert to a back to the land movement so that the number of farmers will be increased and more grain will be raised that we shall not be able to sell, so the net return necessarily will be less. I think that is starting to work at the wrong end. Instead of our showing so much consideration for the manufacturer lest his prices be reduced a little, I think it would be only fair to have some logical solution such as that suggested by the hon. member for Huron North. Give the farmers a little more consideration and then they will be able to buy the machinery at the price asked by the manufacturer, the price which will allow the manufacturer a profit. I do not think the tariff enters into the question very much, though I should like to see the tariff reduced provided the farmer gets a proper return for his produce and prices are lowered. So, as I say, I commend the minister for this reduction, but I hope he will go a little further and, as a result of the investigation of this committee, see that the farmers get a square deal and a reduction in price for their farm machinery.



Mr. BENNETT: I should like to say just a word. I ask the Minister of Finance if he cannot find it possible to adopt a fairer attitude towards this matter than the one which has obtained so far. Does he not think, after having had the gasoline matter dealt with by the tariff board, it would be reasonable to have this matter also dealt with by that board? Where is a committee to get in a question of this kind? Where has a committee ever got in a matter of this kind? Only the other day it was admitted by the Minister of Trade and Commerce that a committee was no body to deal with a complex matter such as the marketing of our wheat, and that a royal commission would be better able to deal with that matter than a committee of the House of Commons. Do those who speak for the farmers here to-night think it is fair; would a farmer think it is fair; does any hon. member think it is fair, apart altogether from the question of whether the duty is too high or too low, for the government to say that parliament shall refer a matter to a committee and then, having suddenly made up its mind to take certain action, to reduce the duty by five per cent under what it was and still have the committee function, instead of referring the matter to the tariff board to deal with?

We have had several very important matters dealt with by the tariff board. To-day the minister was good enough to say that the gasoline schedule was, word for word, that recommended by the tariff board, and we have two or three other items of the same kind. The basis of goodwill between two sections of the country is the thought in the minds of both that they have been treated fairly. What I put to the minister is that they have not been treated fairly, and by "fairly" I mean both having been given the opportunity to be heard before any action was taken to prejudice the position of either. In this instance the farming community presented its case with great vigour, and the government of the day has taken this action after having pointed out that the matter might be left for the Minister of Finance to deal with in his budget. But there is still time to refer the matter to the tribunal which has been set up for that purpose.

When my hon. friends were talking as they were a few moments ago, about the price of wheat, I would remind them that to-day the farmer is receiving 87½ cents a

bushel for wheat that is being sold for 77½ cents a bushel. That is the position to-day. There is a fixed price of 87½ cents for the farmers' wheat, and that same wheat is being sold for 77½ cents.

An hon. MEMBER: What about 1932?

Mr. BENNETT: I am talking about to-day. How would the farming population like it if, to-morrow morning, parliament declared that this 87½ cents was wiped out; that there would be no longer any fixed price with respect to wheat and that the whole matter would be adjusted on the basis mentioned by the hon. member for Huron North, namely, the world market? Would they not say that was an unfair thing to do? Would these hon. gentlemen who have spoken to-night not say that? Would they not complain bitterly about any such action? I think they would, and properly so. All I suggest, without giving any expression of opinion as to whether this duty is high or low—I have refrained from that—is this: In all fairness why not leave this matter to the tariff board? This committee will get nowhere; it cannot possibly get anywhere with this question. No committee ever has got anywhere with a matter of this kind. Does the minister not recall the committee of this house that dealt with gasoline, when thousands and thousands of dollars were spent in the payment of auditors? To-day a committee is sitting. Since the committee began to sit we have been paying $50 a day for a lawyer and $50 a day for an auditor, I am informed. That makes $100 a day being paid out for an auditor and a lawyer, and does anyone suggest for a moment that they are ever going to be able to reach any conclusion which will be of value to this house or to this country?

This is the only suggestion I have to make, but I desire to impress it upon the minister with all possible force: We should treat these interests fairly, even as the farmers expect to be treated fairly with respect to the price that is fixed to-day for the wheat they sell. They would complain, and properly so, if their rights were taken from them in regard to that fixed price. So these implement companies have a right to present their case to the tribunal set up for that purpose. There is an excise tax of three per cent which to all intents and purposes amounts to an additional duty, making the total 10½ per cent, but of course conditions are vastly different from what they were in 1924. It will be recalled that the then president of one of the largest implement companies came to this city and presented his case on behalf of the workmen, not on behalf of the capital involved. That was his whole plea, the welfare of the men employed.

I am not here to add anything to what has been said by hon. members of this committee, nor am I going to attempt to rebut the statements they have made. I desire to urge upon the minister, however, that he give fair play; that we may do what is decent and right and fair with respect to all the industries of the country, not with respect to one but with respect to all, and that we shall not in connection with one say that we shall leave it to a board and in connection with another say we shall act in an arbitrary way. Let us create a feeling of confidence, alike in the east and in the west so that if the board finds, on a certain set of facts, that a certain condition exists and, in the terms of the tariff act, that a certain schedule would give all the protection necessary for the preservation of that industry in the country, then we know the exact situation; we have a clear and comprehensive view of it, just as we have in connection with gasoline based upon the report we heard this afternoon. But to have one section of Canada believe it is singled out for treatment entirely at variance with that accorded to another section is to create, on the one hand, a feeling of suspicion and distrust and, on the other, to give the agrarian in the west the idea that laws are made for him to impose his will upon particular people with respect to matters which are very dear to him and with respect to the prices of articles which he has to purchase. I say that is not fair and I am pleading for fairness. That is all.

In view of all that has been said it would be highly improper for me, because of the conflict of opinions and views, and what has been said with respect to the 7½ per cent and three per cent duty, to express an opinion as to the adequacy or inadequacy of this particular item. But I can see no reason why the agricultural implement business of this country should not be given an opportunity to present its case before the tribunal created by law to examine such matters, nor why a committee of the house, after the duty has been reduced by five per cent, should continue to pay a lawyer and an auditor $100 a day for the two of them when in the ultimate analysis they will not be able to make a single contribution to the solution of the problem. I submit that to the minister, and trust he will realize that, in doing so, I have no object except that, having lived in western Canada as long as I have, and knowing how the feelings of the western agrarian have been played on in the past, how he has been made to think of the agricultural implement makers as men who are lying in wait to snatch from him his hard-

earned money, I desire that a feeling of confidence should be restored, by both sides believing that the tribunal will give fair, complete and patient consideration and attention to every argument that can be adduced. If the government think it desirable to appoint counsel to represent the agrarian interest I would be content that this should be done. But to go ahead with the reduction of five per cent without notice or without a chance to be heard being given, while briefs were being submitted to a committee of the house, is at variance with the usual course, and to say now that the committee is to continue, and that the board that was created for the purpose of hearing evidence is not to hear it, is in my judgment to go a long way towards creating suspicion, unrest and distress and to increase the intensity of the feeling, if there be any, between those who toil on the soil in the west and those who produce agricultural implements in the east.

Mr. DUNNING: The questions addressed to myself I must of course endeavour to answer. The principle laid down by the leader of the opposition is one which has an appeal, and he put it in its most appealing form. I would, however, point out to him that the enactment of the tariff board legislation at no time was intended, even by himself, to take from the government of the day the responsibility and the opportunity of making such changes in the tariff as in their judgment were in the best interests of the people of Canada.

Mr. BENNETT: I do not suggest that it was.

Mr. DUNNING: In the case of the gasoline inquiry, to which reference has been made, we were fortunate enough to have a complete report available, so that parliament might be given that report and given the facts in great detail upon which the government based its proposal to parliament. In connection with certain aspects of the textile industry the same is true. With respect to a number of other proposals now before the committee, no recommendation of the tariff board is available, but the usual machinery of government, machinery which has functioned for many years in connection with the tariff, has been used upon which to base the judgment of the government as to what should be proposed to the house and to this committee. Perhaps my right hon. friend will permit me to say that his observations with regard to fairness should work both ways. That is, the principles which he lays down surely should apply with respect to the increase of the tariff by governmental action if they are to be applied to the decrease of it. May I remind him that in 1930, without any tariff board, without any expert advice, the tariff was raised to great heights on some three hundred items of the schedules, if my memory is correct.

With respect to the item under discussion—and I want to stay within the rules and stick to that item—the tariff was raised from the 6 per cent level at which it had stood for several years, a level from which, as the hon. member for Huron-Perth (Mr. Golding) said this afternoon, the Massey-Harris company did not request an increase before the tariff board prior to 1930; that tariff was raised by one act of the government of which my right hon. friend was the leader from six to twenty-five per cent. Then, on top of that twenty-five per cent came the additional three per cent special excise. It is true that my right hon. friend will say: We took an undertaking from the manufacturers that they would not increase prices.

Mr. BENNETT: Which undertaking they lived up to.

Mr. DUNNING: To which I believe they lived up to the letter. But that, may I point out, is not sufficient to meet the condition as between the primary producer and the secondary producer. When the primary producer has to bear the weight of constantly decreasing values for what he produces, what good is it to him to have an assurance that the things he buys will merely not be increased in price? What we must strive to bring about in this country—and I know my right hon. friend desires it as much as any of us—is a greater approach to parity between the return secured by our people engaged in primary production as compared with the return received by those engaged in other classes of production and in distribution. It is well known that things are out of balance not only in this country but in the country to the south and in many countries in the world. I agree with my right hon. friend when he says that these adjustments which must be made are far better approached from the basis of scientific analysis and examination than by appeal to the passions of the classes who are suffering from these extremes. I join with my right hon. friend in the belief that careful, consistent and steady examination should be made of these problems, not in the atmosphere of the hustings or even of parliament, but rather in the atmosphere which it has been sought to create by a tribunal such as the tariff board. I can speak for the government when I say that if the farm implement industry of Canada wishes to have the matter of farm implement duties referred to the tariff board it has only to ask for this and the reference will be made.

As to what this house is doing through the committee which is now investigating,—not the tariff on agricultural implements—I call the attention of the hon. member for Greenwood (Mr. Massey) to that—but the reason why immediately after a reduction in the tariff an increase in prices took place, is that not important? Hon. members representing the constituencies from one end of Canada to the other where these implements are bought and used would not be doing their duty by their constituents unless they insisted upon immediate action to find out why that increase was necessary. No adequate explanation has so far been given. It will be a good thing for the manufacturers of agricultural implements to place their facts before those men in this house who represent the farmers of this country. Surely nothing but good can come from a knowledge of the facts by the men who sit in this house representing the people of constituencies which use in such large measure the products of agricultural implement factories. I join with my right hon. friend in the belief that there has been too great a gap of misunderstanding between industry on the one hand and agriculture on the other, but I submit that before a committee of this house they can get together; they may at least agree on the facts. As far as the industry itself is concerned, it can have a reference to the tariff board at any time it applies to the present Minister of Finance for one. And the government will endeavour to see, in that connection as in all others, that the facts are brought out, in order that there may be made to this house a report in which all hon. members may have confidence because it has been produced in an atmosphere as little contentious and as non-political as possible.

I would point out, however, that the government have not gone the length of putting the duty on agricultural implements back to the point at which it was when the former Liberal government left office in 1930. Many supporters of this government believe that that should have been done. But in the light of prevailing conditions our best judgment was that the 7½ per cent rate which appears throughout the whole agricultural implement schedule was a proper rate at which to put the duty during this session of parliament. I fully expect, indeed I hope that the agricultural implement industry will apply for a tariff board reference. If they do, then by the time this house meets again we shall surely have available—at least I hope we shall—a mass of facts which are not a matter of dispute between members from this constituency and from that, but which may be agreed upon as facts, whatever may be the respective opinions of hon. members as to the policy which should be based upon those facts.

Mr. COLDWELL: The leader of the opposition made an appeal to hon. members representing agricultural constituencies, and particularly those from the western provinces. As the Minister of Finance has said, I think the appeal was very well directed. However I should like to draw the attention of the leader of the opposition to considerations which compel us to discuss this matter in the House of Commons and to make the representations that have been made not only from this corner but from other sections of the house.

I have before me two tables, one of which was compiled by the Searle Grain Company of Winnipeg, giving an index of prices paid, and values received, in western Canada between 1913 and 1935. Taking the index of No. 1 hard wheat for the year 1913-14 as 100, we find that in 1935 the price had fallen to 93. Of course that is considerably better than the relative index of 52 of 1933. We have to remember, however, that in 1935 the set price to which the right hon. gentleman referred was operative. On the other hand, taking 100 as the index figure of what the farmers bought in 1913-14 we find that it had risen in 1935 to 125, considering 147 articles farmers buy. Again, taking 100 as the index of the farmers' purchasing power in 1913-14, we find that in 1935 it had fallen to 74. The bureau of statistics index of farm implement prices shows them to be entirely out of line, because in 1935 farm implements were 54 per cent higher, on the average, than they were in 1913-14, and tools and hand implements used in agriculture were 76 per cent higher. Because of this condition pressure is quite properly brought to bear upon the government and private members to deal with the situation. It seems to me that in the light of these considerations the government has done the right thing in reducing the duty at the present time.

While one readily admits that implement manufacturers may be able and should have an opportunity to make out a case, nevertheless I believe immediate action has been required of this government and of this parliament. I place the figures quoted before the committee to show that it is not in a spirit of captious criticism that we urge the reduction in the prices of implements and the duties thereon, but because we believe that the prices charged for agricultural implements are quite out of line with those received for other commodities, particularly

remembering the reduced cost of basic raw material, and of labour involved in the production of farm implements. If we are wrong, then as the Minister of Finance has said, the companies should prepare their case and present it with the assurance that they will be given fair consideration.

Mr. BENNETT: There are two matters I should like to clear up—

Mr. GOLDING: Before the item carries—

Mr. SPENCE: I have been on the floor half a dozen times. Am I so small that I cannot be seen.

The CHAIRMAN: The hon. member for Huron-Perth has the floor at the moment.

Mr. SPENCE: All right; go to it.

Mr. GOLDING: Before the item passes there are two or three points I should like particularly to stress. The hon. member for Greenwood complains that I quoted figures from 1924 to 1930 and did not take into consideration the depression from 1932 to the present time. In answer to that I should like to say that the point which prompted me to rise this afternoon was the statement made by the hon. member for Davenport as to the "disastrous" results which followed the reduction of the tariff in 1924. That was my reason for quoting figures showing a comparison of the period between 1924 and 1930 with the period between 1930 and 1934. Under the circumstances I believe I was justified in quoting the figures.

I made reference to the 18,000 employees mentioned by the hon. member for Greenwood, employees whose jobs it was said would be placed in jeopardy by a reduction of the tariff. Speaking on that point the hon. member said that it did not matter whether there was 18,000 or 9,000. I suggest it is important that we be careful when we quote figures of that kind, because no hon. member should exaggerate. I do not question the sincerity of the hon. member for Greenwood, but I suggest he must take the figures as they are. The figures I quoted were those which were submitted to the price spreads commission and had reference to the four largest and ten smaller implement companies. Those figures showed that at that time there were only 3,880 people employed in implement factories representing about ninety-two per cent of the total production. In my opinion that is an important fact.

I believe there is and has been an effort to stampede the industrial worker by making him believe that any reduction in tariff is going to affect his position seriously, and in view of that we ought to be careful when we quote figures. The hon. member for Parkdale complained about my having quoted figures from the bureau of statistics and asked me why I would not quote my own figures. I contend that if from my place in the house I had quoted figures and when the hon. member had asked me what figures I was quoting, I had replied, "these are my own figures," he would have been one of the first to challenge them.

Mr. SPENCE: They might be just as reliable.

Mr. GOLDING: I suggest that when we quote figures supplied by the bureau of statistics, surely to goodness hon. members opposite cannot question them. They are the only figures which we can quote.

One further point is that if it is claimed the raising or lowering of tariffs will either help or ruin the agricultural industry, then I contend that the figures we have before us for the different periods of years show that reductions in tariffs help the industry, the employee and the working man. The hon. member for Greenwood has said: "Between 1930 and 1935 this company experienced a loss of $25,700,000." Was that loss sustained during a time when there was a lowering of duties or was it sustained when duties were being increased? The fact of the matter is, as the figures show, that the companies and the industrial workers suffered more after the tariffs were increased than they ever did under a reduction of tariffs. That is all I have to say on the matter.

Mr. SPENCE: At last I have a chance to say a word or two. After listening to the eloquent remarks of the Minister of Finance (Mr. Dunning), and of my honoured leader (Mr. Bennett), who is a wonderful debater, I am diffident about saying anything at all. Although I have some business ideas of my own which I try to express to the house, I find at times a great deal of difficulty in saying just what I think. That will not prevent me from saying some things that I think.

I do not agree with the hon. member for Rosetown-Biggar (Mr. Coldwell) that it was proper to reduce the duty on farm implements. In fact, the training which I have had in the business world leads me to think it is a bad thing either to lower or to raise duties, because to do so always puts some people in some lines of business into difficulties, so that if the government would stop tinkering with everything all the time, and let us go ahead, we should do better still.

We have listened in this house to economists of all kinds. I am a member of the

agriculture committee which is investigating the prices of farm implements. I am also one who tries to save the money of the country as he would try to save his own, and I protested against the system adopted in the first place by the committee. The first day we had a meeting we listened to some technical highly trained doctor—I assume he was an economist—who talked over our heads; I suppose nobody but a Rhodes scholar could have understood him. We followed that up the next day with something of a similar kind, from another branch of the service. I am not condemning these people, but this is what was done. In the first place we engaged counsel at $50 a day and expenses, which I do not think was too high. Then we engaged an accountant, also at $50 a day. I do not think we need either of these gentlemen. This has been going on since March 17. Then we have two or three committee reporters, receiving, I suppose, ten or fifteen dollars a day; we have literature coming from the committee to the house every day, and we have got nowhere yet. If that is the way in which the government carries on business it should go out of business.

Mr. DUNNING: Not the government; this house.

Mr. SPENCE: The house has very little to say. The government is doing this. We now have only four Conservatives on the agriculture committee; we have three or four economists. An economist is like a man who gets into a big barrel, looks out through the bung-hole and imagines he can stop the falls of Niagara or bring the sun and moon to a standstill. Too many of their suggestions are impracticable. In this house we ought to get down to business and stop talking economics all the time. Economy is much more important; it is one of the things I should like to see studied, and as a rule it is not considered by this government or, I assume, by some other government.

The hon. member for Portage la Prairie (Mr. Leader) said that the hon. member for Greenwood (Mr. Massey) had made certain remarks in the interests of his riding. My contention is that any remarks he made in the interests of his riding are equally in the interests of the farmers of this country. I am just as much interested in the farmers of Canada, and particularly of Ontario, as in the workers in any other industry. They have been good friends of mine, and they have no better friend than myself as regards looking after their interests; as far as I am concerned I shall always oppose any injustice to the farmer. But he must not expect everything; somebody else must also get consideration, because others have to live as well as he.

The hon. member for Davenport (Mr. MacNicol) remarked this afternoon that everyone representing an industrial riding should rise in his place and say something in protest against the lowering of duties on farm implements. When I was in this house in 1924 I took a strong stand on that particular matter. I advanced the argument that if the duty were lowered I was afraid this would result in driving the industrial workers out of cities like Toronto and Hamilton, in the vicinity of which I live, with the result that the people who grow commodities in the old Niagara peninsula, where I did much business, would have no one to whom to sell their stuff, because if you deplete the population of Toronto and Hamilton the farmer may as well quit growing vegetables and farm truck. It is just as much to the interests of the farmers as of any other class of the community that the industrialists should be kept busy. I tried at that time to show what would happen to the farmers, and I think my arguments were sound.

The other evening my hon. friend from Regina (Mr. McNiven) was quoting statements I made on May 1, 1924. He quoted me correctly but he did not go far enough. He quoted, as every other politician does, to suit himself, to make the other fellow look ridiculous. We all know that if the farmers are not prosperous, we in the industrial centres cannot hope for long prosperity. The same thing applies to farmers if industrial workers are unemployed, because if the people in the urban centres are without money to buy the products of the farm there is not much use growing them. So the system works both ways. What we need is cooperation in this country, and we are not getting it.

Mr. JOHNSTON (Lake Centre): The farmer is ready.

Mr. SPENCE: The extra few cents the farmers pay on farm implements because of a duty do not amount to anything at all, when spread over some years, compared with the advantages they receive by keeping the industrial worker employed and so enabling him to buy their commodities. May I say that the farmers might take better care of their farm implements, and not leave the harrow in one field, the plough in another and the binder in a third.

Mr. PERLEY (Qu'Appelle): How do you know?

Mr. SPENCE: I know because I have been in the hon. member's province of Saskatchewan and seen this. The farmers even in Ontario do the same thing. But in Saskatchewan the situation is much worse. I have been there and known men to forget where the cultivator was, where the thresher was, and everything else, and they could not find them in the spring or fall of the year when they needed them. If they took good care of their farm implements, all they paid in duties would be nothing compared with the saving in depreciation, and perhaps the country would not be in the difficulty they keep it in by growling about something all the time. I have a great deal of admiration for the hon. member for Huron-Perth (Mr. Golding), but I think without a doubt he had no conception of what is fair as between industry and the farmers. A farmer can exist better on a garden, if he grew something on his farm, than an industrial unemployed worker can do in a concrete back yard.

An hon. MEMBER: The hon. member forgets that the industrial worker, like the farmer, fares better under lower duties.

Mr. SPENCE: The industrial worker does not mind what he pays for commodities so long as he has the money to buy them with; that is the way the hon. member should feel, and the way all the country should feel, and we would all be happier. What the hon. member needs to do is to go home and get good friends with himself.

I believe in a tariff to keep the wheels of industry rolling, but I do not believe in manufacturers taking advantage of tariffs to extract too large a profit. I am opposed to that as vigorously as I am to free trade or to anything which will interfere with the industrial workers being kept in employment. My contention is that the government should control prices. When we gave protection to the plate-glass works at Hamilton against imports that came in cheaply from Belgium, they took advantage of that protection, and my right hon. leader (Mr. Bennett) cancelled the tariff. That can be done in the case of any industry which is trying to dig gold out of the people for nothing or is making an extortionate profit.

I am a great believer in my own figures. I think I can calculate as accurately as most economists. We know that figures do not lie, but liars sometimes figure. The statistical department is not always right. You can make figures mean anything, and perhaps I have done that myself. I think the Minister of Finance is just as good at figuring as I am.

Mr. DUNNING: But not as good at the other thing.

[Mr. E. E. Perley.]

Mr. SPENCE: I would have some difficulty in holding my own sitting round a table with him. I can remember back in 1924 when the Hon. Vincent Massey who is now High Commissioner for Canada in London was interested in the Massey-Harris company. I am not speaking disparagingly of him, but I can remember how he slept on the doorstep of the Right Hon. Arthur Meighen day after day and week after week in an effort to keep tariffs from being reduced. At that time you changed your views and you gave them a six per cent preference on the raw materials that went into the manufacture of farm implements. You fixed it up in that way. You did not put on any more duty, but you did it in another way. You always had a way of getting out of difficulties. I do not blame you for that as most of us do it as well.

At one time the Massey-Harris company was quite prosperous. That company is situated within a few yards of my former riding. I used to take in the whole of ward six but my good friend, the hon. member for Davenport, came into the house on redistribution. He redistributed me out of that part of the city of Toronto and took it to himself.

Mr. DUNNING: There ought to be a tariff against that.

Mr. LAPOINTE (Quebec East): That is not the only wrong thing he has done.

Mr. SPENCE: I can remember that at that time the Massey-Harris company employed about 4,000 people. Hon. gentlemen have been quoting statistics to show that there were only 3,500 men employed in all Canada. That is absolutely wrong. I agree with the statement made by the hon. member for Greenwood who said that 18,000 people were employed. I assume he takes in all the agents and those who go through the country to give service to the farmers, but, believe me, the agents earn their money. I know some of them sometimes drive twenty to twenty-five miles in order to sell a farmer a dollar's worth of stuff. They have to do that to keep him in good humour. All farmers and all business men are alike. I said that at one time the Massey-Harris company employed from 3,500 to 4,000 people. I knew hundreds of these employees because I lived in the vicinity of this plant for forty-five years.

The John Abel people came to Toronto from Woodridge and employed a great number of people, but they were finally forced to amalgamate with an American concern and call themselves the American Abel Company. They employed from 800 to 1,000 people, but they had to go out of business.

Their place was taken over by the American Rumley people who employ from fifteen to sixteen people to distribute tractors. That is all the good they are in this country. They are renting other parts of their building to other industries which are trying to make a living but are having a hard time. Only fifteen to twenty people are employed in this factory which at one time employed from 800 to 1,000. There is something wrong with the management of this dominion when that happens.

Mr. DUNNING: What is wrong is the fact that they are manufacturing something which is no longer used by the country. They are manufacturing these big tractors.

Mr. SPENCE: That is right. I think the hon. gentleman knows more about what is hurting the industries of Canada than anybody else. I recently took a trip through the west, but I assume the minister has been there more often than I have. I was driven through Regina by Senator Laird and we went down to the railroad siding and saw carloads of farm implements which had come in from all parts of the United States. These implements should not have been in this country at all. If our own manufacturers had been given proper protection they would have been able to manufacture these implements. Everybody in the west thinks he should buy stuff from the United States. They believe that by their doing so the country gets the benefit of the duty, whereas if they buy from a manufacturer in Canada, he gets a profit. They hate to think of anyone getting a profit. We cannot live without a profit, and that applies to retail business, wholesale business or manufacturing. There must be something wrong with the minds of men who hate to see someone make a profit, who would rather pay a duty and buy stuff from the United States.

We all can remember in 1924 when at least two to three hundred thousand people left this country to go to the United States. We did not realize that we had any unemployment at that time because these people could find jobs over there, but the situation is different to-day. They cannot find jobs in the United States and unemployment has been increasing ever since 1929. We lost a large number of highly educated men and women who went to the United States because they had no hope of getting anything to do in Canada. There was no hope for these people who had been educated at great expense to the country. They went to the United States and helped to build up the industries of that republic; we were just an incubator for the United States. Professional men particularly could get jobs quite easily in the United States, sometimes when even Americans could not. Canadians were appreciated and from 1921 to 1928 or 1929 we lost the best class of Canadian citizens.

I do not want to take up any further time because I know we should be conducting the business of the committee. However, since everybody else wants to talk, I am forced to say something or the people in my constituency will think I am dumb. I do not want to be considered a deaf mute, and I must say something at times or next year some of my friends will say that I am not on Hansard and I may not get any votes. However I do not think it will matter much if I never talk; I believe I will be elected just the same. We have a committee of the house investigating the high cost of farm implements and I think it was indiscreet of the government to reduce the tariff in the midst of that investigation. My leader has suggested that this matter be sent to the tariff board for consideration, so I suggest to the government that they forget what they have done and we will all forgive.

Items agreed to.

Mr. DUNNING: I have an amendment to offer in connection with item 409j to provide for the insertion of weighers for threshing machines.

Mr. ILSLEY: I beg to move that item 409j, as contained in the resolution of May 1, 1936, be amended to read as follows:

Fanning mills; peaviners; corn husking machines; threshing machine separators, including weighers, wind stackers, baggers and self-feeders therefor; complete parts of all the foreging.

Amendment agreed to.

Item as amended agreed to.

Customs tariff—4091. Traction ditching machines (not being ploughs) and complete parts thereof: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Item agreed to.

Customs tariff—409m. Internal combustion traction engines; traction attachments designed to be combined with automobiles in Canada for use as traction engines; complete parts of all the foregoing: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Item agreed to.

Customs tariff—409n. Portable engines with boilers, in combination, for farm purposes; horse powers; complete parts of all the foregoing: British preferential tariff, free; intermediate tariff, 15 per cent; general tariff, 25 per cent.

Item agreed to.

Mr. DUNNING: Following the last item, 409n, there is an amendment which deletes the weighers' item. That has been put into 409j.

Mr. ILSLEY: It affects 409r, which is not in this list. It deletes the word "weighers" from 409r. I move:

That schedule A of the customs tariff, as amended by resolution No. 5 of May 1, 1936, be further amended by deleting tariff item 409r the enumeration of goods and rates of customs duty set opposite thereto from the said schedule A.

Amendment agreed to.

Customs tariff—410d. Well-drilling machinery and apparatus, and complete parts thereof, of a class or kind not made in Canada, and seamless iron or steel tubing over 8 inches in diameter, for use exclusively in drilling for water, natural gas and oil, and in prospecting for minerals, but not to include motive power; well packers and complete parts thereof, for oil and gas wells: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: The only change is in wording; in the rates it is entirely unchanged. The change is in the final clause. In order to clarify administration and remove any doubt as to the meaning of the item, the phrase "well packers and complete parts thereof" is substituted for the phrase "packer rubbers." It is to make it clear that the item covers all tubes and well packers and parts thereof.

Mr. BENNETT: It seems to me to be difficult to interpret the item, taking the last words in relation to the whole.

Mr. DUNNING: The words, "for oil and gas wells"?

Mr. BENNETT: Yes. What does that cover? It says "not to include motive power."

Mr. DUNNING: There is a semicolon after the word "power." It is faint but it appears after that word, so that there is an additional clause, "well packers and complete parts thereof, for oil and gas wells."

Mr. POULIOT: We do not attach enough importance to punctuation in the tariff. There should be something special for periods; something special for semicolons; something special for commas, in order to please the most distinguished member of the house.

Mr. STIRLING: What happens to steel tubing under eight inches in diameter? Does that come under some other item, and is it free?

Mr. DUNNING: Pipes not more than 10½ inches in diameter n.o.p. come under item 397 of the tariff, and they are dutiable at 15, 27½ and 30 per cent.

Item agreed to.

Customs tariff—410i. (ii) Combustible gas indicators, for detecting explosive gases or vapours; methane detectors; carbon monoxide detectors and continuous indicators and recorders; carbon monoxide alarms; pyrotannic detectors for determining the presence and quantity of carbon monoxide in the blood; inhalators for use in reviving victims of carbon monoxide poisoning; pocket gas respirators, dust respirators, paint and lacquer spray respirators, fume and smoke masks, and hose mask outfits complete with face piece, harness, air line and air pump or blower, designed for the protection of firemen and industrial workers; special safety goggles, designed for eye protection of miners, welders, foundrymen and other industrial workers employed in hazardous work; complete parts of all the foregoing: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. BENNETT: This is merely life saving apparatus.

Mr. DUNNING: Yes.

Mr. BENNETT: It is taken out of other items.

Mr. DUNNING: Yes.

Item agreed to.

Customs tariff—411b. Cylinder stave saws, wheel type stave jointers, crozing and champhering machinery, and complete parts thereof: British preferential tariff, 10 per cent; intermediate tariff, 15 per cent; general tariff, 20 per cent.

Mr. DUNNING: This makes provision for parts.

Item agreed to.

Customs tariff—412. Machinery, being presses for use in the printing of newspapers, of not less value by retail than fifteen hundred dollars each, of a class or kind not made in Canada, and complete parts thereof, not to include saws, knives and motive power; mechanical deliveries or conveyors for use with newspaper printing presses: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: The addition is "mechanical deliveries or conveyors" for use with newspaper printing presses.

Mr. BENNETT: They carried 15 per cent, 27½ per cent and 35 per cent.

Mr. DUNNING: Yes, under item 427 of the tariff. They are now included with the rest of the machinery for printing.

Mr. BENNETT: That is an odd thing. It is all free but it is not to include saws, knives and motive power, but it is to include mechanical deliveries or conveyors for use with newspaper printing presses.

Mr. DUNNING: The fact is that conveyors are not made in Canada; the other items are. There is no change with respect to saws, knives and motive power, all of which are commonly produced in Canada, but I am advised that no conveyors of this type are made in this country.

Mr. BENNETT: Mechanical deliveries and conveyors? That is new to me. I have seen many made in Canada.

Mr. DUNNING: Not for printing presses.

Item agreed to.

Customs tariff—412a. Machinery and apparatus, n.o.p., viz.:—Gun and mould apparatus for making press rollers; machines and apparatus for making electrotypes and stereotypes; engraving machines and apparatus, including photo-engraving apparatus, and other plate-making apparatus, used in the manufacture of printing plates of all kinds; machines and apparatus for graining metal plates; machines and apparatus for sensitizing, grinding or polishing metal plates; machines and apparatus including cameras and camera equipment, lens, prisms, camera and printing lamps, screens, and vacuum frames for transferring by photographic processes, or direct, to plates or rolls for use in lithography, rotogravure and printing; shading apparatus; machines and apparatus for addressing and /or wrapping newspapers, magazines, periodicals, pamphlets and catalogues; machines and apparatus for embossing or stamping or producing embossed or engraved effects, book-binding, looping, stitching, sewing, gathering, inserting, bronzing, dusting, creasing, scoring, cutting, perforating, drilling, punching, slitting, re-winding, glueing, pasting, gumming, waxing, varnishing, carbon coating, patching, numbering, ruling, jogging, sheet piling, tying, bundling, tube-making, metal mounting, eye-letting, staying or stripping, reinforcing and box-covering; complete parts, not to include saws, knives and motive power; all the foregoing when for use exclusively by, and in their capacities as, printers, lithographers, book-binders, manufacturers of stereotypes, electrotypes and printing plates or rolls, paper converters, or by manufacturers of articles made from paper or cardboard: British preferential tariff, free; intermediate tariff, free; general tariff, 10 per cent.

Mr. BENNETT: What is added to that item?

Mr. DUNNING: It is amended in wording. It was last rewitten in May, 1930.

Mr. BENNETT: One part carries 15 per cent, 27½ per cent and 35 per cent and the other is free, 5 per cent and 10 per cent.

Mr. DUNNING: The rewording consists merely of the insertion in several places of words descriptive of the functions of certain modern pieces of equipment. The rates attached to the item have been revised to read free, free and 10 per cent. For many years under the intermediate tariff there has been a rate of five per cent, and while in the fiscal year 1935-36 this represented a revenue of possibly $25,000, it has been decided to forego this revenue and to make this wide range of equipment available free of duty under both the British preferential and the intermediate tariffs.

Mr. BENNETT: I see some items that certainly are made in Canada. Sheet piling, for instance; that is one of the things they have recently commenced to make in Canada.

Mr. DUNNING: I think this designates something quite different from the sheet piling my right hon. friend has in mind.

Mr. BENNETT: I would not think so.

Mr. DUNNING: If my right hon. friend means sheet piling in the ordinary sense of the term, which is piling used in driving in a harbour or something of that kind, it is different. This is a sheet piling machine for piling sheets of paper at the end of a press.

Item agreed to.

Customs tariff—422a. Concrete road-paving machines, self-propelling, end loading type, with a capacity of 21 cubic feet of wet concrete or more; concrete and asphalt road finishing machines; form graders; sub-graders; combination cable-controlled excavating and transporting scraper units; back-filling machines and equipment, mounted on self-propelling wheels or crawling traction, semi- or full-revolving boom and scraper type; steam or air driven pile hammers or extractors; well-points; truck turntables; all the foregoing of a class or kind not made in Canada, and complete parts thereof: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 12½ per cent.

Item agreed to.

Customs tariff—424. Fire engines and other fire extinguishing machines and chassis for same; complete parts other than chassis parts: British preferential tariff, free; intermediate tariff, 30 per cent; general tariff, 35 per cent.

Mr. HEAPS: I note that under this item the British preferential has been reduced from 10 per cent to free. I should like to know how many fire engines were imported from Great Britain during the last fiscal year.

Mr. DUNNING: Our imports of fire engines last year amounted to $61,500.

Mr. HEAPS: Was that from Great Britain?

Mr. DUNNING: No, entirely from the United States.

Mr. HEAPS: Were there any importations from Great Britain?

Mr. DUNNING: No, but the British government asks for this consideration, evidently believing that British manufacturers can do

some business in Canada. I am advised that they lost several contracts by very narrow margins.

Mr. BENNETT: This reduction will close out the business at Woodstock, Ontario. That is why it was not made before.

Mr. DUNNING: I have inquired as to the point to which my right hon. friend refers, and I gather that they are not manufacturers at all; that they just assemble parts of fire engines which are brought from elsewhere. The total reported production for the whole of Canada, including everything falling within this item, parts and everything else, was only $200,000 last year.

Mr. BENNETT: Yes, because the demand for fire engines is not usually very great. A fire engine is not an article that is sold largely, but if I may speak subject to correction my recollection is that these engines were made at Woodstock, Ontario. The item was discussed many times, and we were led to believe that to put it on the free list as suggested would mean the end of that industry at Woodstock, whether it was assembling or otherwise. My understanding was that it was more than assembling, but perhaps the minister is right and I merely bring the matter to his attention.

Mr. ILSLEY: The Department of National Revenue investigated that plant recently and I am positively assured that it is nothing but an assembling plant.

Item agreed to.

Customs tariff—427. All machinery composed wholly or in part of iron or steel, n.o.p., and complete parts thereof: British preferential tariff, 10 per cent; intermediate tariff, 27½ per cent; general tariff, 35 per cent.

Item agreed to.

Customs tariff—427a. All machinery composed wholly or in part of iron or steel, n.o.p., of a class or kind not made in Canada; complete parts of the foregoing: British preferential tariff, free; intermediate tariff, 27½ per cent; general tariff, 35 per cent.

Mr. BENNETT: Those words "a class or kind not made in Canada' would mean that less than ten per cent of the Canadian consumption was made in Canada, I assume. The effect of that would be considerable, I should think.

Item agreed to.

Customs tariff—427e. Automatic machines for making and packaging cigarettes, not to include tobacco-preparing machines: British preferential tariff, free; intermediate tariff, 27½ per cent; general tariff, 35 per cent.

Item agreed to.

[Mr. Dunning.]

Customs tariff—427f. Machines for the manufacture of veneers and plywoods, viz.:—veneer clippers, veneer clipper knife jointers, veneer glue spreaders, veneer jointers, veneer lathes and veneer taping machines: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 35 per cent.

Mr. STIRLING: There are several more items where the British preference has been reduced from a certain percentage to free. Does that mean that in all these cases the British government has requested free entry? Has the British government requested free entry in this large number of cases, and has this government acceded to that request?

Mr. DUNNING: With regard to item 427e, this is one of the items on which a reduction was requested by His Majesty's government in the united kingdom on the ground that a wider margin than had existed formerly would permit British producers of this highly developed, expensive, automatic machinery to cater to the requirements of Canadian users. With respect to 427f, this is an entirely new item, the consideration here being the development of an export market for veneer and plywoods of Canadian origin. This has materially increased the production of these articles, and there have been numerous requests from the producers of veneers and plywoods for some relief from the duty which so far has applied on practically each of these lines. Much of the machinery is automatic. It is all modern in type and quite expensive, and none of it is produced in Canada. It is represented to us, in connection with veneer making machinery, that the making of Canadian veneers is a developing industry and that we can assist it materially by admitting this machinery free of duty. In any event it is not made in Canada.

Mr. STIRLING: Has this long list of requests come in since the passing of the Canada-United States trade agreement? The minister has been saying in connection with many items which show a reduction in the British preference that this has been done at the request of the government of the united kingdom. Has that been the case since the passing of the Canada-United States trade agreement?

Mr. DUNNING: I am sure my hon. friend as a member of a former government will remember that these requests were fairly continuous. I cannot say as to whether or not these requests came in before the Canada-United States agreement or after it, but there were numerous requests before that, in any event. I do not think there is any connection in most cases.

Mr. STIRLING: The minister referred to the fact that in many cases the spread had practically disappeared, and I wondered whether the British government had made these requests in consequence of the agreement at which we have arrived with the United States.

Mr. DUNNING: Not in the case I quoted a few minutes ago.

Mr. BENNETT: The effect of this item will be to give Germany, the United States and other machinery producing countries a 10 per cent rate under the tariff as compared with free entry under the British preferential, whereas the former item gave Britain a 20 per cent spread as against the United States. Surely with this item as it now reads there will not be much chance for the free entry of goods from Great Britain.

Mr. DUNNING: I asked that question myself when the item was under consideration, and as a matter of fact it is practically certain that very little of this class of machinery can possibly come from Great Britain.

Mr. BENNETT: But a great deal will come from Germany.

Mr. DUNNING: Under the 10 per cent intermediate?

Mr. BENNETT: Yes. One of the complaints which were made was that with respect to this type of machinery Germany was in a significantly strong position and that, having regard to their present day costs of production, they could sell their goods in this country so cheaply that a 10 per cent duty did not amount to anything at all. That was the contention made by some of our Canadian producers with respect to certain types of machinery made in Canada, notably at Dundas.

Mr. DUNNING: There is no competition at all.

Mr. BENNETT: I know there is none in this particular item, but it cannot mean that there will be anything for the British manufacturer under the free item.

Mr. DUNNING: No; Great Britain is not competitive in this class of machinery. We are really making available to one of our own export industries the cheapest machinery of the type referred to.

Item agreed to.

Customs tariff—427g. Power-driven centrifugal oil purifiers or extractors, bowl or tube type, not to include motive power, when for use in the extracting and refining of fish oils: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 35 per cent.

Mr. BENNETT: This is an item in which, if the principle mentioned by the hon. gentleman is to prevail at all, there is a singular departure from it. The intermediate rate has been increased by twenty-five per cent with respect to those nations which now enjoy the intermediate and which did not enjoy it before, and the spread between the British preferential and that is now only ten per cent. So they are ten per cent worse off than they were in respect to American competition before.

Mr. DUNNING: You are speaking of the British?

Mr. BENNETT: Yes.

Item agreed to.

Customs tariff—429. (a) Knife blades or blanks, and table forks, of iron or steel, in the rough, not handled, ground nor otherwise manufactured; and spoon blanks of iron or steel, in the flat, not further manufactured than stamped to shape: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 10 per cent.

Item agreed to.

(g) Razor blades; razors and complete parts thereof: British preferential tariff, free; intermediate tariff, 30 per cent; general tariff, 30 per cent.

Mr. LENNARD: I for one am surprised to find that on the item for razor blades the duty is the same, because razor blades, aspirin tablets, soap and several other articles were widely proclaimed by the Liberal party during the election campaign as articles on which the duty was too high, and they said that if they were returned to power it would be lowered. I do not for a moment advocate the lowering of the duty; I just draw attention to the fact that on razor blades it remains the same.

Mr. DUNNING: It is a conference item with an irreducible margin and could not be reduced at the present time.

Item agreed to.

Customs tariff—430. Nuts and bolts with or without threads, washers, rivets, of iron or steel, coated or not, n.o.p., nut and bolt blanks, or iron or steel, per one hundred pounds: British preferential tariff, 50 cents and 10 per cent; intermediate tariff, 50 cents and 20 per cent; general tariff, 75 cents and 25 per cent.

Mr. BENNETT: Is that only adding "n.o.p."?

Mr. DUNNING: That is the only change.

Item agreed to.

Customs tariff—430a. Hinges and butts, of iron or steel, coated or not, n.o.p.; hinge and butt blanks, of iron or steel, per one hundred pounds: British preferential tariff, 75 cents and 10 per cent; intermediate tariff, 75 cents and 27½ per cent; general tariff, 75 cents and 30 per cent.

Mr. DUNNING: The same thing applies; adding "n.o.p." is the only change.

Item agreed to.

Customs tariff—431b. Adzes; anvils; augers; bevels, n.o.p.; bits; braces; cantdogs; chisels; cleavers; crowbars; hand drills; files; hammers; hatchets; mallets, mattocks and eyes or polls therefor; nail sets; picks and eyes or polls therefor; planes; pliers; plumb bobs, n.o.p.; punches, n.o.p.; rasps; measuring rules and tapes of all kinds; saws, saw blades and hand saw frames; screw drivers; sledges; spirit levels; spokeshaves; squares, n.o.p.; thread-cutting taps, dies and stocks; track tools; vises, n.o.p.; metal wedges; wrenches; socket wrench handles and adapters and sockets therefor: British preferential tariff, 10 per cent; intermediate tariff, 35 per cent; general tariff, 35 per cent.

Mr. MacNICOL: If the minister will not think he has made a mistake in this item I would like to congratulate him upon leaving the duty as it was.

Mr. DUNNING: I have an amendment which may or may not disappoint my hon. friend. The intention, of course, was not to change the rate, but there was an intention to include a number of items for specific description. The prime purpose was clarification. For instance, as the item stood before, it included bits but not the braces used with the bits. The rewording in certain instances involved purely incidentally an increase in duty under the intermediate tariff. The votes and proceedings indicate those slight changes. Immediately after the budget, notification went to customs ports that although this item with an intermediate rate of 35 per cent now included within its wording the additional tools referred to, the rate of duty to be levied on the same when imported from the United States, for example, or France, with which countries we had agreements, would be the rate set out under schedule I of Canada's agreement with the United States. But fear has been expressed in certain quarters that in spite of the fact that the customs authorities have instructions to honour the agreement rates, the inclusion of these words in an item bearing a higher rate might lead to mistakes and the collection of the higher rate of duty at certain ports, particularly in the smaller centres. If this were to occur it would constitute a violation of the letter of our agreement with the United States and to some extent of the agreement with France, and rather than have any question arise now or in the future as to the maintenance of rates covered by agreement items it has been decided that the clarification be dropped and, therefore, there will be a motion to delete the item, which will leave the situation exactly as is.

[Mr. Dunning.]

Mr. ILSLEY: I move:

That resolution No. 5, being the resolution to amend schedule A to the customs tariff, be amended by striking thereout tariff item 431b wherever the said item appears.

Mr. BENNETT: That may make some confusion with respect to shipments that have been entered since May 1.

Mr. DUNNING: A direction went out immediately to collectors. If we delete it now the instructions they have to-day will involve the administration of the item just as it is in the tariff at present.

Mr. BENNETT: As it was before May 1?

Mr. DUNNING: In relation to the United States, yes.

Mr. BENNETT: Certainly that cannot be so with respect to the British preferential, because it makes all the items ten per cent, and some items were as high as thirty per cent.

Mr. DUNNING: That is true.

Mr. BENNETT: And with respect to the intermediate, which is the rate the United States now have, it means a reduction from forty-five per cent, which is the maximum they paid under the general tariff, to a minimum of twenty-five per cent on some items. That is clear. But what I cannot make out is the effect of withdrawing this item from the resolution. It is to leave the tariff rate as it was prior to May 1, 1936?

Mr. DUNNING: Right.

Mr. BENNETT: Then what happens with respect to invoices that have come through in the meantime?

Mr. ILSLEY: That would be subject to the amendment. The collectors were wired on May 1 as follows:

Until further instruction take all customs and excise entries presented on and after second instant subject to amendment. Notify outports by wire.

Therefore they will be adjusted to the rate which actually is the rate in force as determined by parliament.

Mr. STIRLING: I have not been quite able to follow the mechanics of this group of

items. Taking 431b, I understand the commodities which used to come in under four separate items enumerated on the right hand side have now been grouped into one item.

Mr. DUNNING: That is true.

Mr. STIRLING: Then are we dealing with the three other items?

Mr. DUNNING: It would be more correct to say it was widened to cover others.

Mr. STIRLING: So these items still remain in the tariff?

Mr. DUNNING: Yes.

Item as amended agreed to.

Customs tariff—431c. Machinists' or metal workers' precision tools and measuring instruments, viz.:—Calipers, micrometers, metal protractors and squares, bevels, verniers, gauges, gauge blocks, parallels, buttons, mercury plumb bobs, dividers, trammels, scribers, centre punches, pocket speed indicators, straight edges, key seat clamps and other clamps and vises used by toolmakers for precision work, precision tools and measuring instruments, n.o.p.: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 15 per cent.

Mr. BENNETT: Apart from putting the British preference in operation with respects to this item the effect is to reduce the intermediate tariff by a spread of thirty-five per cent, which is more than the existing spread in some instances. What are the importations under this head?

Mr. DUNNING: It is an entirely new item.

Mr. BENNETT: It is not entirely new as far as being subject to taxation is concerned. These commodities have been subject to duty all these years, under four heads.

Mr. DUNNING: Yes, under four different items. In May, 1930, there was a first attempt to give a definite classification in the tariff to precision tools, and during the years intervening the field of use has greatly widened. Most of these tools are for use by metal workers and are not of a class or kind made in Canada. They are in essence instruments of production, in almost all instances quite costly, and, in many cases, of delicate construction. It is generally the case, especially among metal workers, that the craftsman owns his own precision tools; hence there is no escaping the fact that so far the duties have been a direct burden upon the workers, whether we regard him as a producer or a consumer. The item as reworded attempts to cover the field in a broad and rather generous manner, and the new rates of free, 10 per cent and 15 per cent, which may be regarded as revenue duties, represent material reductions under all tariffs, most of the tools having been dutiable formerly at 15 per cent, 25 per cent and 30 per cent; 15 per cent, 27½ per cent and 35 per cent, or 30 per cent, 37½ per cent and 45 per cent, under former items 431c or 436a or 362. It is an effort to get this class of precision tools into one group and to recognize that inasmuch as they are tools generally speaking supplied by the workman, there is no reason for a heavy duty on them.

Mr. BENNETT: The ones the heavy duty was on were made in Canada. For instance, squares were made in Canada. Bevels are, or at least were, made here. I cannot say whether they are just now. Straight edges and certain other types of tools were made in Canada.

Mr. DUNNING: On very careful inquiry we find they are not.

Mr. BENNETT: None of them, do you say?

Mr. DUNNING: Upon very careful inquiry I am advised that not one of these tools is made in Canada.

Mr. BENNETT: Then I must be mistaken, if the minister says that. I asked about squares, for instance, not long ago, and I was told that they were made in Canada. Apparently that is not correct.

Item agreed to.

Customs tariff—431d. Engineers', surveyors' and draughtsmen's precision instruments and apparatus, viz.: alidades, altazimuth surveying instruments; aneroid barometers, engineering, military and surveying; angle prisms; boards, military sketching; box sextants; clinometers; compasses; cross staff heads; curves, adjustable, irregular, railroad and ship; curvimeters; drafting instruments of all kinds, including fitted cases containing the same; dipping needles; drafting machines; heliographs; integrators; levels, tripod and hand or pocket types; levelling rods; liners, section; meters, portable, for hydraulic engineering pantographs; planimeters; protractors; parallel rulers; parallel ruling attachments; poles, ranging; pedometers and paceometers; plane tables, military and topographic; scales, flat and triangular; slide rules; splines; straight edges, steel and wooden; tacheometers; tallying machines, pocket; tee squares, steel and wooden; telemeters; theodolites; transits, tripod and hand or pocket types; triangles of all types; tripods for use with any of the foregoing instruments: British preferential tariff, free; intermediate tariff, 10 per cent; general tariff, 15 per cent.

Mr. DUNNING: The same explanation applies with the difference, of course, that these are engineers', surveyors' and draughtsmen's precision instruments.

Mr. STIRLING: They are not made in Canada?

Mr. DUNNING: No.

Mr. BENNETT: None of them?

Mr. DUNNING: No.

Item agreed to.

Mr. DUNNING: At this point a motion will have to be made with respect to customs tariff 431e, arising out of 431b. This amendment relates to measuring rules and tapes of all kinds, and it is just to reinstate these articles in the tariff at the old rate, as they were deleted by amendment to the former item. These are made in Canada.

Mr. ILSLEY: I move:

That schedule A to the customs tariff, as amended by resolution No. 5 of May 1, 1936, be further amended by adding the following item, enumeration and rates of duty in said schedule A:

"431e measuring rules and tapes of all kinds: British preferential tariff, 15 per cent; intermediate tariff, 25 per cent; general tariff, 30 per cent."

Mr. BENNETT: Those are made in Canada?

Mr. DUNNING: Yes.

Mr. BENNETT: I believe it was a rule I saw which was marked "made in Canada," and I was also of the opinion that a square was so marked, but apparently I am wrong in that. A T-square was the other one I had in mind. However, it would seem that I am wrong.

Amendment agreed to.

Item as amended agreed to.

Customs tariff—435. Locomotives and motor cars for railways, of a class or kind not made in Canada, and complete parts thereof, for use exclusively in mining or metallurgical operations: British preferential tariff, free; intermediate tariff, 15 per cent; general tariff, 20 per cent.

Mr. DUNNING: The only change is in the wording in connection with parts of mining locomotives.

Mr. BENNETT: The words "and complete parts thereof" are added?

Mr. DUNNING: Yes.

Mr. BENNETT: The duty is not changed.

Mr. LAWSON: Was there a higher rate on the parts previously?

Mr. BENNETT: They come under the n.o.p. item.

Mr. DUNNING: Under the basket item.

Mr. LAWSON: Carrying a higher rate?

[Mr. Stirling.]

Mr. DUNNING: They might be almost anywhere in the tariff, under a number of rates. If they were brass parts or steel parts they might fall into different categories.

Item agreed to.

Customs tariff—438a. Automobiles and motor vehicles of all kinds, n.o.p.; chassis for the foregoing; chassis for electric trackless trolley buses: British preferential tariff, free; intermediate tariff, 17½ per cent; general tariff, 27½ per cent.

Provided that machines or other articles mounted on the foregoing or attached thereto for purposes other than for loading or unloading the vehicle shall be valued separately and duty assessed under the tariff items regularly applicable thereto.

Mr. BENNETT: What is the purport of this item?

Mr. DUNNING: It is the major automobile item.

Mr. BENNETT: That is the one?

Mr. DUNNING: Yes.

Item agreed to.

Customs tariff—438b. Bearings, clutch release; bearings, graphite; bearings, steel backed babbit; bushings, graphited or oil impregnated; ceramic insulator spark plug cores, not further manufactured than burned and glazed, not printed or decorated and without fittings, commutator copper segments; commutator insulating end rings; discs of hot rolled steel, spun or forged, with or without centre hole, for disc wheels; distributor rotors, cam assemblies and vacuum control assemblies; door bumper shoes; electric wiring terminals, sockets, fittings and connectors; gaskets of metal and asbestos, composite; ignition contact points; keys for shafting; lenses for head; tail, dome, signal and cowl or parking lamps; lock washers; piston ring castings in the rough, with or without gates and fins removed; steel bolts capped with stainless steel; switches for lamps, and parts thereof; vulcanized fibre in sheets, rods, strips and tubing; all the foregoing being of a class or kind not made in Canada, when for use in the manufacture of the automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, or for use in the manufacture of parts thereof, or for replacement or repair of automobiles, motor vehicles or chassis enumated in tariff items 438a and 424: British preferential tariff, free; intermediate tariff, free; general tariff, 30 per cent.

Mr. DUNNING: There is an amendment to be moved to the wording. The tariff board suggests with respect to 438b an amendment in line 2 by striking out the words "steel backed babbit" and by substituting therefor the words "steel backed non-ferrous" and by striking out the words "not printed or decorated and" in line 5 and substituting therefor the words "printed or decorated or not." The board suggests that modern developments in the bearings industry makes advisable a reference to non-ferrous bearings rather than

merely to those of babbit metal, and also that since spark plug cores have an imprint made on them before they are fired in the kiln, it is advisable to change slightly the wording respecting printing and decorating of such cores. That is the reason for the amendment to 438b which I am asking my colleague to move.

Mr. ILSLEY: I move:

That tariff item 438b as contained in resolution No. 5 of May 1, 1936, be amended in wording by striking out the words "Steel backed babbit" in line 2 thereof and substituting therefor the words "steel backed non-ferrous" and by striking out the words "not printed or decorated and" in line 5 thereof and substituting therefor the words "printed or decorated or not."

Amendment agreed to.

Mr. BENNETT: What were the importations under this item last year, and from where did they come?

Mr. DUNNING: Does the right hon. gentleman mean the parts item?

Mr. BENNETT: It may have an effect on the Canadian parts industry.

Mr. DUNNING: Last year the total importations of automobile parts were valued at $19,600,000, in round figures. Parts of automobiles exported were valued at $3,224,000.

Mr. BENNETT: Has the minister an estimate of Canadian production?

Mr. DUNNING: The incomplete figures show approximately $25,000,000.

Mr. BENNETT: My concern about the item was that it has the effect of giving free entry to an enormous class of articles from the United States that paid all the way from 10 per cent to 35 per cent. The effect would be to displace production in Canada.

Mr. DUNNING: This item is of a class or kind not made in Canada.

Mr. BENNETT: It is intended to limit the whole production?

Mr. DUNNING: Yes.

Mr. BENNETT: Well, that settles that, because the effect of the 17½ per cent duty as now applied has been, with the sales tax and the excise tax, to increase the price of a certain type of automobile just about the difference in the sales tax, up to date. I made inquiries since we discussed the matter a few days ago.

Mr. DUNNING: You are speaking of the general question?

Mr. BENNETT: Yes, the general effect. This one touches only parts not made in Canada?

Mr. DUNNING: Yes. The board has been successful, in conference with elements concerned, in reconciling the differences between them, and I am advised that there is complete agreement with respect to the parts industry.

Mr. LAWSON: Are the items covered by item 438b dealt with in the report of the tariff board?

Mr. DUNNING: Oh, yes, entirely.

Mr. LAWSON: As well as those that are of a class or kind made in Canada?

Mr. DUNNING: Yes. It was necessary to review the whole in order to arrive at the distinction as to the parts.

Mr. LAWSON: So this is in pursuance of the board's recommendation?

Mr. DUNNING: Oh, quite.

Item as amended agreed to.

Customs tariff—438c. Ammeters; arm rest and wheel housing lining of indurated fibre, pressed to shape; annual ball bearings and parts thereof; axle housings, one piece welded, machined or not; carbureters and parts thereof; chassis frames, without forgings, castings or stamped brackets attached; cigar and cigarette lighters, including base and parts thereof; control ventilator gear box; cylinder lock barrels, with or without sleeves and keys thereof; dash heat indicators; fuel pumps and parts thereof; gasoline gauges and parts thereof; hinges, finished or not, for bodies; horns, and parts thereof; instrument bezel assemblies and parts thereof; instrument board lamps; locks, electric ignition, steering gear, transmission, or combinations of such locks, and parts thereof; mouldings of metal, with nails set in position, lead filled or not; oil filters and parts thereof; oil gauges and parts thereof; pipe lines, bent to shape and equipped with fittings or not, and tubing therefor, for fuel, air or liquid. for actuating hydraulic brakes; purifiers for air and parts thereof; purifiers for oil and parts thereof; radiator grills, assembled or not, but not polished or plated, and not to include finish or decorative moulding; radiator ornaments, unplated; radiator shutter assemblies, automatic; radiator water gauges; radiator shells, not plated, nor metal finished in any degree; shackles, bearing spring and parts thereof; speedometers, and parts thereof; spring covers of metal and closing strips or shapes therefor; stampings, body, cowl, hood, fender and instrument board, of metal, in the rough, trimmed or not, but not metal finished in any degree, nor welded, riveted, or otherwise further manufactured; starter switch assembly and parts thereof; steering wheels, and rims therefor; sun visor blanks of gypsum weatherboard; thermostats and parts thereof; throttle and spark buttons asemblies; vacuum tanks; windshield wipers and parts thereof; all the foregoing being of a class or kind not made in Canada, when imported by manufacturers of

the automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, for use as original equipment in the manufacture of such automobiles, motor vehicles or chassis: British preferential tariff, free; intermediate tariff, 20 per cent; general tariff, 30 per cent.

(1) Provided, that if the above articles are imported by a manufacturer of automobiles motor vehicles or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought does not exceed ten thousand complete automobiles, motor vehicles or chassis, and provided that not less than fifty per centum of the factory cost of production of such automobiles, motor vehicles or chassis, not to include duties and taxes, is incurred in the British empire, the rates of duty under this item shall be: British preferential tariff, free; intermediate tariff, free; general tariff, 25 per cent.

(2) Provided, that if the above articles are imported by a manufacturer of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought exceeds ten thousand automobiles, motor vehicles, or chassis, and provided that not less than sixty per centum of the factory cost of production of such automobiles, motor vehicles or chassis, not to include duties and taxes, is incurred in the British empire, the rates of duty under this item shall be: British preferential tariff, free; intermediate tariff, free; general tariff, 25 per cent.

Provided that from and after March 31st, 1938, the words "sixty-five" shall be substituted for the word "sixty" in the immediately preceding proviso;

(3) Provided that the governor in council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item.

Mr. DUNNING: I have an amendment on 438c. It is a case of wording only—if I may ask hon. members to follow this as they did the last item—by striking out the phrase "annular ball bearings and parts thereof" in lines 2 and 3.

Mr. BENNETT: My copy says "annual," anyway.

Mr. DUNNING: That ought to come out. By striking out the words "without forgings, castings or stamped brackets attached" in lines 5 and 6; that leaves it just "chassis frames." By striking out the words "nor welded, riveted, or otherwise further manufactured" in lines 33 and 34; that relates to metal stampings.

Mr. BENNETT: All these are said to be of a class or kind not made in Canada?

Mr. DUNNING: Yes. And then by amending the final clause of the main item to read as follows:

all the foregoing being of a class or kind not made in Canada, when imported for use in the manufacture of the automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, or for use in the manufacture of parts thereof, or for the replacement or repair of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424.



Mr. BENNETT: That is to make similar phraseology with the preceding item?

Mr. DUNNING: Yes. Then again, by inserting after the word "imported" in proviso (1), line 2, the words "for use as original equipment." And the same thing in proviso (2). That is a very important addition to the proviso.

Mr. BENNETT: What is the effect of it?

Mr. DUNNING: The effect of each of these I will deal with from my notes, if the committee permit. Annular bearings are recommended for deletion as they become the subject of a new item to be introduced a little later. The tariff board suggests that the descriptive clause attaching to chassis frames in the item of May 1 is probably unduly restrictive, and if insisted upon in administration might interfere seriously with the shipment of chassis frames to Canadian plants. It recommends, therefore, that the words referred to in the amending resolution be deleted, and also stampings, for much the same reason as in the case of chassis frames. The tariff board now suggests that it would be in the interests of the Canadian industry, with no adverse effect upon the consumer or any Canadian manufacturer, to delete the words named in the amendment. With regard to the final clause, the change is that the words "by a manufacturer of automobiles," etcetera. The board now recommends that the qualification be merely that these articles be imported for use in the manufacture of, instead of restricting the importation to the individual manufacturer. The idea is, of course, for existing industries to be in a position to service the parts. Then, with regard to the provisoes, the board now suggests that the provision of the proviso relates to parts used solely for the original equipment of the car, in view of the fact that the qualification on the basis of factory content could not properly be connected with other parts than those so used. These are all qualifications of verbiage, and interfere in no way with the general tenor and effect. They are all recommended by the board.

Mr. BENNETT: Yes. I was looking at the board's report. The effect of these, of course, will be to eliminate any possible drawbacks.

Mr. DUNNING: Yes, entirely.

Mr. BENNETT: That is one purpose. I recall that when the item was under consideration—

Mr. DUNNING: It takes the place of 1055.

Mr. BENNETT: Yes, this will take the place of that, and it must necessarily cover everything if it is to be effective.

Mr. DUNNING: Yes.

Mr. BENNETT: Am I right in assuming that the minister said a moment ago that the board had been able to reconcile the views of various producers and that this item is supposed to cover all the items regarding parts?

Mr. DUNNING: Yes. I do not think—

Mr. BENNETT: That is very important.

Mr. DUNNING: Of course there are other items to which the same thing applies.

Mr. BENNETT: Yes, of a class or kind not made in Canada.

Mr. DUNNING: They are parts of one whole, of course. I can hardly believe the professions of agreement I hear with regard to these items.

Mr. ILSLEY: I beg to move:

That item 438c, as contained in resolution No. 5 of May 1, 1936, be amended in wording as follows:

(1) by striking thereout the phrase "annular ball bearings and parts thereof" (lines 2 and 3);

(2) by striking thereout the words "without forgings, castings or stamped brackets attached" (lines 5 and 6);

(3) by striking thereout the words "nor welded, riveted, or otherwise further manufactured" (lines 33 and 34);

(4) by amending the final clause of the item to read as follows:

"all the foregoing being of a class or kind not made in Canada, when imported for use in the manufacture of the automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, or for use in the manufacture of parts thereof, or for the replacement or repair of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424."

(5) by inserting after the word "imported" in proviso (1) thereto, (line 2) the words "for use as original equipment."

(6) by inserting after the word "imported" in proviso (2) thereto, (line 2) the words "for use as original equipment."

Mr. BENNETT: What I cannot quite understand is why there should be the free item under the intermediate tariff if sixty per cent is produced in the British empire. Take the top of the page:

Provided, that if the above articles are imported by a manufacturer of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought exceeds ten thousand complete automobiles, motor vehicles or chassis, and provided that not less than sixty per centum of the factory cost—

That is "and," not "or."

—of production of such automobiles, motor vehicles or chassis, not to include duties and taxes, is incurred in the British empire, the rates of duty under this item shall be—

That means they come in free from the United States if sixty per cent is produced in the British empire. Is that quite fair?

Mr. DUNNING: Of course they got drawback formerly.

Mr. BENNETT: The test now for free entry from the United States is that sixty per cent is produced in the British empire. How can that be possible?

Mr. DUNNING: Sixty per cent of the car.

Mr. BENNETT; No; it says "not to include duties and taxes." It is not that way at all. Not less than sixty per cent of the factory cost of production. I am reading at the top of page 22. But for the purposes of reading, the other is the same. We are going to make this sixty-five per cent after March 31, 1938. The point I am trying to make to the minister is that I cannot understand why the test of free entry from the United States is that sixty or sixty-five per cent should be made in the British empire.

Mr. DUNNING: Of the whole automobile.

Mr. BENNETT: No, no.

Provided that not less than sixty per centum of the factory cost of production of such automobiles, motor vehicles or chassis, not to include duties and taxes, is incurred in the British empire, the rates of duty under this item shall be—

That is this great item here.

Mr. DUNNING: Yes.

Mr. BENNETT: And at the present moment it is free in the British empire. It is free already under the intermediate tariff for the whole of the items. Turn over the page:

Provided, that if the above articles are imported by a manufacturer of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought exceeds ten thousand automobiles, motor vehicles or chassis, and provided that not less than sixty per centum of the factory cost of production of such automobiles, motor vehicles or chassis, not to include duties and taxes, is incurred in the British empire, the rates of duty under this item shall be....free....free....and twenty-five per cent. Free....17½ per cent....27½ per cent.

I can understand this last part of it:

438d. Front and rear axles; brakes; clutches, internal combustion engines; steering gears; magnetos; rims for pneumatic tires larger than thirty inches by five inches; trans-

mission assemblies; steel road wheels; and complete parts of the foregoing, all of a class or kind not made in Canada, when imported by manufacturers of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 for use only in the manufacture of motor trucks or motor truck chassis....free....17½ per cent....27½ per cent.

A corresponding item with respect to automobiles, as the minister will remember—free, 17½ per cent and 27½ per cent.

Now, when we are dealing with parts, we say, provided that if you make sixty per cent in the British empire you can bring them in free from the United States.

Mr. DUNNING: Quite right.

Mr. BENNETT: It is sixty-five per cent in 1938?

Mr. DUNNING: That is right.

Mr. BENNETT: May they be made in the British empire and brought into the United States before they come here? What is involved in the right to come in from the United States is the sixty per cent made in the British empire?

Mr. DUNNING: Of the car, not of the parts.

Mr. BENNETT: I read it twice. The wording is the cost incurred in the manufacture of the car. If the car costs $1,000 at the factory and $600 of that cost was incurred in buying material from the British empire, the other $400 would come in free from the United States

Mr. DUNNING: Yes.

Mr. BENNETT: I am bound to say that, as I read it, it is not very clearly put.

Mr. DUNNING: Exactly the same as was done by drawback where fifty per cent was the qualification. Under this item the qualification is sixty per cent, with the proviso that they must jump to sixty-five per cent empire content on the date named.

Amendment agreed to.

Item as amended agreed to.

Customs tariff—438d. Front and rear axles; brakes, clutches, internal combustion engines; steering gears; magnetos; rims for pneumatic tires larger than thirty inches by five inches; transmission assemblies; steel road wheels; and complete parts of the foregoing, all of a class or kind nor made in Canada, when imported by manufacturers of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 for use only in the manufacture of motor trucks or motor truck chassis: British preferential tariff, free; intermediate tariff, 17½ per cent; general tariff, 27½ per cent.

Item agreed to.

[Mr. Bennett.]

Customs tariff—438e. Parts, n.o.p., for automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, not to include wireless receiving sets, electric storage batteries, parts of wood, tires and tubes or parts of which the component material of chief value is rubber:—

(1) Brake linings, and clutch facings whether or not including metallic wires or threads:—

(a) when made from crude asbestos of Empire origin: British preferential tariff, free; intermediate tariff, 25 per cent; general tariff, 35 per cent.

(b) when made from crude asbestos of non-empire origin: British preferential tariff, 15 per cent; intermediate tariff, 25 per cent; general tariff, 35 per cent.

(2) Automobile and motor vehicle engines, stripped, n.o.p., and complete parts thereof, n.o.p.: British preferential tariff, free; intermediate tariff, 25 per cent; general tariff, 35 per cent.

(3) Parts, n.o.p., whether finished or not: British preferential tariff, free; intermediate tariff, 30 per cent; general tariff, 40 per cent.

Mr. DUNNING: There will be a change in this item which will be amended by inserting after the words "wireless receiving sets" in line three thereof, the words "die castings of zinc," and by inserting in subitem (3) thereof before the words "whether finished or not" the words "not electroplated." This is to ensure against an increase in the rates on zinc die castings which were dutiable under item 346 at 15 per cent, 22 per cent and 25 per cent, this being a raw material of the plating industry. Second, it is to ensure that electroplated parts shall continue to be dutiable under the existing item covering such goods.

Mr. BENNETT: The duty is raised 2½ per cent under the intermediate tariff. Is that a tariff board item?

Mr. DUNNNING: Yes, entirely so.

Mr. BENNETT: I do not recall having read the reasons they gave why it was necessary to raise the rate from 22½ to 25 per cent with respect to both these items.

Mr. DUNNING: This is the n.o.p. parts item and it is part of the general adjustment as between the parts manufacturer and the manufacturer of the completed automobile.

Mr. BENNETT: I realize that.

Mr. ILSLEY: I move accordingly.

Mr. BENNETT: I cannot see what point there is in increasing the item under the general tariff, having regard to what we have left under that tariff. Why should it be raised from 25 per cent to 35 per cent?

Mr. DUNNING: If my right hon. friend could assure me or could assure Canada that

all the countries now under the intermediate would remain there, then the situation would be different.

Mr. BENNETT: But there are very few left under the intermediate tariff.

Mr. DUNNING: I am speaking of those now under the intermediate; will they remain there?

Mr. BENNETT: That is a singular reason to give for raising the tariff on that particular type of automobile parts. I think the hon. gentleman will find that his argument is a little skimpy.

Mr. DUNNING: Not with respect to certain countries.

Amendment agreed to.

Item as amended agreed to.

Customs tariff—438f. Hot rolled strip of iron or steel with rolled or mill edge, not being of greater value than 2⅜ cents per pound, of a class or kind not made in Canada, when imported by manufacturers of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 or by manufacturers of parts of automobiles, motor vehicles or chassis enumerated in the tariff items 438a and 424 to be used in the manufacture of such automobiles, motor vehicles or chassis, or parts thereof, in their own factories, per ton: British preferential tariff, free; intermediate tariff, $4; general tariff, $8.

Mr. BENNETT: There has been a great deal of discussion about this item, and perhaps the minister could give us a little statement with respect to it. I understand that manufacturers were endeavouring to make this particular class of steel in Canada.

Mr. MacNICOL: At Hamilton.

Mr. DUNNING: I have my notes on this from the tariff board report. This carries over into this schedule the existing item which was created by order in council, the rates being reduced to free, $4 and $8 per ton on certain hot rolled strip steel of a class or kind not made in Canada for the automobile industry.

Mr. BENNETT: At that particular time this steel was not made in Canada, but I understand since then it has been in process of manufacture.

Mr. DUNNING: Then this item would become inoperative. The words are in the item.

Mr. MacNICOL: Recently I went to Hamilton to see the rolling of steel which I was informed was to be used in the motor car industry. Has the minister had any report as to whether this has been successful?

Mr. DUNNING: We have heard rumours of the experiments which are going on. The moment this steel is manufactured, this item does not operate.

Mr. BENNETT: They sent an investigator over to the foundry in my time.

Item agreed to.

Mr. DUNNING: I have a motion to cover annular ball bearings which were eliminated from the previous item. This amendment is to create item 438h to cover annular ball bearings and parts thereof, when imported for use only as original equipment in the manufacture of goods enumerated in tariff items 438a and 424, under regulations prescribed by the minister: Free, free and free.

Amendment agreed to.

Mr. DUNNING: I have another motion to create a new item, 442, articles which enter into the cost of manufacture of the goods enumerated in the 409 group of items and in item 439c, when imported by manufacturers for use exclusively in the manufacture in their own factories of the goods enumerated in the aforesaid tariff items, under regulations prescribed by the minister: Five per cent, six per cent, six per cent. Provided that goods which are entitled to free entry or to a lower rate of duty than is mentioned in this item shall not be entered at the rate specified in this item. This amendment to the resolution is introduced for the purpose of widening the terms of the item to apply to the items enumerated in the farm implement group to include windmills. When this item was last amended the rate on windmills was free, 15 per cent and 25 per cent, and it was felt that articles entering into the manufacture of windmills should not receive a lower rate than applied to articles entering into the cost of manufacture of farm implements This amendment is proposed to rectify that situation because in the item which has passed the committee windmills are included with other farm implements. This will give the same privilege to the raw materials entering into the construction of windmills as is given to those entering into the construction of other farm implements.

Mr. BENNETT: In view of the fact that this item does not appear in the tariff schedules, perhaps it could stand. The minister could go on to the next item and we shall have a chance of looking at this one. It will be on Hansard and I can read it between now and the next sitting.

The CHAIRMAN: Shall the amendment stand?

Mr. DUNNING: It does not amend anything that is now before the committee. It is a new item and the Chairman will bring it back to our attention before we complete proceedings in committee on it. I can assure my right hon. friend, however, that the wording is not changed; it is solely for the purpose of giving the windmill manufacturer the same rate of duty on raw materials as the other farm implement manufacturers get.

Mr. BENNETT: Very well; I can look at it in the bill.

Amendment agreed to.

Customs tariff—445a. Electric head, side and tail lights, n.o.p.: electric torches or flashlights and complete parts therefor: British preferential tariff, 20 per cent; intermediate tariff, 30 per cent; general tariff, 30 per cent.

Mr. BENNETT: Are these made in Canada?

Mr. DUNNING: Yes.

Mr. BENNETT: What are the importations?

Mr. DUNNING: The total imports are $544,000, of which $521,000 came from the United States. Our own production of incandescent lights is $496,000.

Item agreed to.

Customs tariff—445f. Electric dynamos or generators and transformers, and complete parts thereof, n.o.p.: British preferential tariff, 25 per cent; intermediate tariff, 33⅓ per cent; general tariff, 37½ per cent.

Mr. BENNETT: What are the importations?

Mr. DUNNING: They amounted to $365,000, of which $275,000 came from the United States and $81,000 from the united kingdom.

Mr. BENNETT: What is our production?

Mr. DUNNING: Our production is $2,835,000.

Mr. BENNETT: There has been a good deal of discussion as to whether or not we should limit the importations to a greater extent than we have done, because of importations of secondhand dynamos from across the line, dynamos discarded by them and brought in here.

Mr. DUNNING: There is difficulty in connection with the whole matter of second hand equipment, and this we are endeavouring to watch.

Item agreed to.

[The Chairman.]

Customs tariff—445g. Electric motors, and complete parts thereof, n.o.p.: British preferential tariff, 25 per cent; intermediate tariff, 33⅓ per cent; general tariff, 37½ per cent.

Item agreed to.

Customs tariff—445k. Electric apparatus, and complete parts thereof, n.o.p.: British preferential tariff, 15 per cent; intermediate tariff, 25 per cent; general tariff, 30 per cent.

Item agreed to.

Customs tariff—445m. Flameproof electric switch gear, for use underground in coal mines, and complete parts thereof: British preferential tariff, free; intermediate tariff, 20 per cent; general tariff, 30 per cent.

Mr. STIRLING: What is the change?

Mr. DUNNING: The addition of "parts thereof"; there is no change in the rate.

Item agreed to.

Customs tariff—446a. Manufactures, articles or wares of iron or steel or of which iron or steel or both are the component materials of chief value, n.o.p.: British preferential tariff, 10 per cent; intermediate tariff 27½ per cent; general tariff, 35 per cent.

Mr. BENNETT: This is the basket item?

Mr. DUNNING: Yes.

Mr. BENNETT: With respect to iron and steel?

Mr. DUNNING: Yes.

Item agreed to.

Customs tariff—447a. Sand cast rolls and chilled cast iron rolls imported by proprietors of rolling mills for use exclusively in rolling iron or steel, or by manufacturers of paper for use exclusively in manufacturing paper in their own factories: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: I have an amendment which will read:

Sand cast rolls and chilled iron rolls for use exclusively in rolling iron or steel or in the manufacture of paper.

We do not restrict it to the manufacturers themselves who import the article, provided it is imported for use in the manufacture. It has been represented that the manufacturer very seldom imports these heavy sand cast rolls himself, because other processing has to be done in connection with them by an engineering firm, and the wording in votes and proceedings would limit it to the manufacturer.

Mr. MacNICOL: Only the manufacturer will import them?

Mr. DUNNING: An engineering firm can import them provided they are for use in the manufacture of these articles.

Amendment agreed to.

Item as amended agreed to.

Customs tariff—447b. Forged steel rolls, hardened and ground, imported by proprietors of rolling mills for use exclusively in rolling non-ferrous metals: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: I have an amendment to this item, which will now read:

Forged steel rolls, hardened and ground, when imported for use exclusively in rolling non-ferrous metals.

Take a steel manufacturer who is putting in a new mill. In this case the engineering firm building the mill for him will be able after this amendment, to import the rolls and incorporate them in the mill that is being built. I was advised by those interested that the wording here would compel the manufacturer obtaining the final equipment to import these rolls himself, though as a matter of fact he would have to ship them immediately to the engineering firm in order to have them incorporated in the equipment.

Amendment agreed to.

Item as amended agreed to.

Progress reported.

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

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## Tuesday, May 26, 1936

The house met at three o'clock.

### CANADIAN RADIO COMMISSION

THIRD AND FINAL REPORT OF SPECIAL COMMITTEE

Mr. A. L. BEAUBIEN (Provencher) presented the third and final report of the special committee appointed to inquire into the operations of the Canadian radio commission and its administration of the Canadian Radio Broadcasting Act of 1932 and amendments, and the regulations made under authority thereof, as follows:—

Your committee held twenty-five meetings and heard thirty-seven witnesses, including three members of parliament, and after careful consideration of the evidence presented not only before this committee, but also before the 1932 and 1934 committees, we desire to endorse the conclusion reached in 1934, viz., that:

"It has been made evident to your committee that the establishing of national broadcasting in Canada presents many difficulties, for the correction of which time, experience and large expenditures of public money will be necessary."

1. It has been amply demonstrated that a commission of three cannot be moulded into a unit that can formulate and execute policies successfully. Evidence adduced before this committee has made it apparent that under the existing organization there has been lack of coordination in dealing with some major questions.

(a) After carefully reviewing the administration of radio broadcasting we have reached the conclusion that recommendation number one of the 1934 committee, viz.:—

"That in the opinion of your committee radio broadcasting could be best conducted by a general manager"

is justified in all respects, and your committee hereby endorses and repeats this recommendation.

2. We recommend that the Canadian Radio Broadcasting Act of 1932 be repealed and that a new act be substituted therefor, which will place the direction of broadcasting in the hands of a corporation with an honorary board of nine governors chosen to give representation to all parts of Canada, this board to operate through a general manager and an assistant general manager, who will be responsible to the board for the conduct of all business of the corporation.

Members of the honorary board of governors should be men of broad outlook, having a knowledge of the tastes and the interests of the listening public and who can make a definite contribution to the solution of the problem before the corporation.

The general manager should be appointed by the governor in council, upon the recommendation of the board of governors, and should be an executive of the widest experience in the field of radio broadcasting.

3. We recommend that the corporation be given substantially the powers now enjoyed by the British Broadcasting Corporation (see appendix attached), and, in addition, that it be given exclusive control over:—

(i) the character of all programs, political and otherwise, broadcast by private stations, and the advertising content thereof:

(ii) all wire line networks used for carrying broadcast programs.

4. Your committee is of the opinion that the corporation should enjoy the fullest possible freedom, in so far as its internal activities are concerned, including full authority to engage, dismiss and control its employees and fix their remuneration.

5. Your committee endorses the recommendation of the Aird commission in regard to the technical control of stations and reaffirms the views of that commission as set out in page 11 of their report, viz.:—

"Control

The Minister of Marine and Fisheries under the Radiotelegraph Act is the licensing authority for all classes of radio stations, which includes radio broadcasting stations and receiving sets, direct control over such technical questions as wavelengths, power of stations and the collection of licence fees should we consider, remain with this authority. In order to promote good reception conditions, it is most desirable that the radio activities of other departments of the government should conform

to the regulations and be subject to the authority of the Radiotelegraph Act. We are also of the opinion that the radio branch of the marine department should continue to carry on the service to broadcast listeners, which includes the suppression of inductive interference."

Certain of the technical duties now carried out by the department in regard to the radiotelegraph and radiotelephone stations in the dominion appear to be duplicated by the commission in the case of broadcasting stations and the preponderance of evidence presented before your committee was strongly in favour of the handling of all this work by the department.

6. We regard it as a fundamental requirement that complete cooperation be established and maintained at all times between the minister and the corporation, and that the minister before taking any action towards the authorizing of any new private stations, changing the power of such stations, assigning wavelengths and other correlated questions, shall first consult with and obtain the recommendation of the corporation to the end that if and when it is decided to extend the national system, the location and organization of private stations will be such as to permit of the efficient absorption of any or all of them into the national system.

7. We reaffirm the principle of complete nationalization of radio broadcasting in Canada. Pending the accomplishment of this, radio listeners will continue to be dependent on private stations for much of their entertainment, and your committee is of the opinion that the fullest cooperation should be maintained between the corporation and the private stations.

8. We desire to reaffirm the principle set out in the Canadian Radio Broadcasting Act of 1932 that in determining the compensation to be paid for the taking over of any private stations, no allowance shall be made for the value of the licence terminated by the taking over of such station, and that no person shall be deemed to have any proprietary right in any channel allotted, and that no person shall be entitled to any compensation by reason of the cancellation of the allotment of a channel or change in a channel.

9. Your committee recommends that the corporation immediately consider ways and means of extending national coverage, either by linking additional existing private stations to the corporation's network or by the establishment of new stations.

10. In order to provide for the establishment of new stations from time to time to give further coverage, it is recommended that the corporation be authorized to borrow from the government sums not exceeding a total of $500,000 under such terms and conditions as may be prescribed by the governor in council.

The interest and amortization charges on such loans as may be granted shall be a first charge on the revenue of the corporation.

11. Your committee recommends that power be given to the minister of marine to control the use of electrical apparatus, machinery, or any device which cause local interference with radio reception.

12. Your committee finds that during the last election there was serious abuse of broadcasting for political purposes and that lack of a proper control by the commission was apparent. The most glaring instance brought before the committee relates to the "Mr. Sage" broadcasts, in which offensive personal references were frequent and to which no proper or adequate political sponsorship was given. Some of these offensive broadcasts originated in the Toronto studios of the radio commission.

We also find that credit was issued to political parties in direct violation of the rules of the commission, which rules prescribe that all political broadcasts must be paid for in advance. Generally speaking from the evidence presented before your committee we are forced to the conclusion that there was a loose administration of commission affairs.

Your committee recommends that the following points be incorporated in the new legislation:

(i) That dramatized political broadcasts be prohibited.

(ii) That full sponsorship of all political broadcasts be required.

(iii) That the limitation and distribution of time for political broadcasts be under the complete control of the corporation, whose duty it shall be to assign time on an equitable basis between all parties and rival candidates.

(iv) That no political broadcasts be allowed on an election day or during two days immediately preceding same.

13. Your committee recommends that, as soon as it becomes possibles, to review, readjust or amend the contracts for wire line networks, consideration be given to the inclusion in such networks of the telephone line systems, particularly those owned by provincial governments of the prairie provinces.

14. Your committee recommends that, in the matter of news broadcasts, the closest possible cooperation should maintain between the broadcasting corporation and the Canadian press.

15. Your committee recommends that legislation be introduced in parliament at this session to give effect to these recommendations.

A copy of the minutes of proceedings and minutes of evidence adduced before your committee, together with exhibits and papers relative thereto, are herewith submitted with the report, for the information of the house.

All of which is respectfully submitted.

## Appendix to Report

### Synopsis of Powers of the British Broadcasting Corporation

(As set out in paragraph 3 of their charter of incorporation)

(a) To carry on broadcasting service.

(b) To acquire any undertaking, stations, plant, etc., for carrying on the corporation's work.

(c) To establish and maintain stations.

(d) To publish papers, books, magazines, etc.

(e) To collect news.

(f) To acquire copyrights in literary, musical and artistic works, gramophone records, etc.

(g) To purchase and acquire patent rights.

(h) To enter into arrangements with the government or other authorities subject to certain limitations.

(i) To establish and support pension schemes for employees.

(j) To purchase and lease real and personal property.

(k) To invest corporation money not immediately required.

(l) To borrow money.

(m) To sell or lease property.

(n) To do such other things as may be conducive to the objects of the corporation.

## MISCELLANEOUS PRIVATE BILLS

Third report of the standing committee on miscellaneous private bills—Mr. McPhee.

## VIMY RIDGE MEMORIAL

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I have the honour to inform the house that His Majesty the King has graciously accepted the invitation of His Majesty's government in Canada to unveil the Canadian war memorial at Vimy Ridge on July 26. I have also pleasure in stating that on the same occasion Canada will be honoured by the presence of the President of the French republic.

## CANADA AND THE UNITED STATES

REPORTED REQUEST FOR COMMISSION TO CONSIDER POLITICAL UNION

On the orders of the day:

Mr. H. E. WILTON (Hamilton West): Mr. Speaker, before the orders of the day are called I would appreciate the indulgence of the house in order to make a brief statement in reference to a newspaper report recently published to the effect that a member of the United States congress has asked for the appointment of a commission to consider the advisability of granting Canada the privilege of becoming a part of that country.

Some hon. MEMBERS: Order.

Mr. WILTON: Is that in order?

Mr. SPEAKER: Order.

## SMALL PROPERTY OWNERS

PROPOSED STUDY OF THEIR FINANCIAL SITUATION LOOKING TO EQUITABLE TREATMENT

On the orders of the day:

Hon. FERNAND RINFRET (Secretary of State): Mr. Speaker, at the last sitting of the house the hon. member for Parkdale (Mr. Spence) asked whether the government was taking any action in connection with the resolution regarding small property holders moved by the hon. member for St. Mary (Mr. Deslauriers) and passed by the house on February 27. In reply may I say that it was at that time and still is the opinion of the government that the question of granting relief or assistance to small property holders is primarily a municipal one. In the preparation of the budget and other government policies due consideration is being given to this class of Canadian citizens.

## CANADIAN NATIONAL RAILWAYS

CORRESPONDENCE WITH RESPECT TO RETIREMENT OF THE TRUSTEES

On the orders of the day:

Hon. H. A. STEWART (Leeds): Mr. Speaker, would the Minister of Railways and Canals (Mr. Howe) lay on the table of the house the correspondence between his or any department of the government and the trustees of the Canadian National Railways relative to the retirement of the trustees?

Hon. C. D. HOWE (Minister of Railways): Mr. Speaker, I had occasion to look at the very few letters that were interchanged on this subject and they are all marked personal and confidential. They are almost wholly from the trustees and very few from the Minister of Railways.

Mr. STEWART: Would the minister lay on the table any that are not marked confidential?

Mr. HOWE: There are none not marked confidential.

Mr. STEWART: The minister said "nearly all."

Mr. HOWE: I said they were nearly all from the trustees.

Mr. STEWART: I understood him to say they were nearly all marked confidential.

On the order being called:

House again in committe on Bill No. 17, an act respecting the national harbours board —The Minister of Marine.

Right Hon. R. B. BENNETT (Leader of the Opposition): Mr. Speaker, as a matter purely of the privileges of this house, can there be any such document as a letter marked personal dealing with a public question such as the retirement of trustees? I think there cannot. The view taken by the Prime Minister on one occasion with respect to a matter that came up at that time seemed to me to be sound, that marking a letter personal cannot make it personal if it is a communication touching a matter of public business, such, for instance, as the retirement of trustees. The matter is too serious to be disposed of in this way. Perhaps the Prime Minister might look into it, and I will do the same.

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): Mr. Speaker, I rise to a point of order. The right hon. gentleman is out of order in speaking to the matter at this time after the house had disposed of the question raised on the orders of the day and had proceeded to an entirely different matter.

## BUSINESS OF THE HOUSE

Hon. C. H. CAHAN (St. Lawrence-St. George): Could we not defer until later in the day consideration of the harbour board bill?

Mr. HOWE: Just as my hon. friend likes.

Mr. CAHAN: I did not understand it was coming up, when I looked at the statement of the Prime Minister at the adjournment on Friday evening. I have no objection to the bill coming up later in the day, but there are one or two researches I should like to make before it does come up.

Right Hon. W. L. MACKENZIE KING (Prime Minister): May I say to my hon. friend that I understood it was not likely there would be much discussion on the bill at this stage and that he was prepared to proceed at any time. It will however be wholly agreeable to proceed with the bill after the dinner recess instead of at the present time.

Mr. CAHAN: When the bill came up the other day and I said that we were willing to take it up, I then had in mind a note I had received from the Minister of Railways from which I understood the government would accept the amendment which I proposed, or accept it with some slight changes, and I did not on that occasion bring my notes with me. I have been out of town in the meantime, and I should like to gather my notes together in order to discuss certain phases of the amendment which I moved.

Mr. MACKENZIE KING: Certainly.

## WAYS AND MEANS

### CUSTOMS TARIFF AMENDMENT

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

Customs tariff—462. Philosophical, photographic, mathematical and optical instruments, n.o.p.; speedometers, cyclometers and pedometers, n.o.p.; complete parts of all the foreging: British preferential tariff, 15 per cent; intermedite tariff, 25 per cent; general tariff, 30 per cent.

Mr. DUNNING: We are just adding n.o.p.

Item agreed to.

Customs tariff—462a. Photographic cameras and equipment for use by professional photographers and commercial photo-finishers in their own business, as follows:—

Cameras for professional purposes, for making negatives 4¾ inches by 6½ inches and larger, and the following accessories for use with such cameras: lenses, shutters, exposure meters, range finders, film and plate holders, lens hoods, lens boards, ground glass carriages, reducing backs, reversible adapter backs, lantern slide attachments, film sheaths, combination paper and plate holders, kits, carrying cases, camera stands, camera tripods, camera tripod tops, vignetters, diffusion discs, diffusion disc holders, colour filters, colour filter holders, polarizing screens, polarizing screen holders and backgrounds.

Printers, enlargers, heaters, dryers, mounting presses, print washers, automatic film processers, printing frames and tanks for developing, fixing and washing: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. POULIOT: Mr. Chairman, on this item, as on some others, the British preferential tariff has been decreased, and that is why I take this opportunity to give notice that I withdraw an order of the house, No. 43 on the order paper, being a motion in my name with regard to the British preferential tariff. Upon this item, sir, we may discuss the Canadian-British tariff and also trade at large. I shall try to be as brief as possible, but I wish to give a short review of what has happened in trade during the last five years.

On August 1, 1930, the total number of items in the customs tariff was 1,100, and on June 5, 1935, the number was 1,280. The first thing the late government did at the special session of 1930 was to increase the tariff, and according to Hansard of September 8, 1930, the then Prime Minister (Mr. Bennett) is quoted as follows, at page 4:

> The necessity for dealing with exceptional economic conditions with the resultant unemployment has induced me to summon you at an earlier date than would otherwise be necessary. Measures will be submitted for your consideration, including amendments to the Customs Act and the Customs Tariff, which it is anticipated will do much to meet the unusual conditions which now prevail.

Therefore, Mr. Chairman, high tariff was used as a cure for unemployment. At that session, 152 items of the tariff were increased and 11 decreased by parliament, and after those changes had been made the then Prime Minister was ready to go to England for the economic conference, and there was to be no more unemployment in this country. At the economic conference he spoke in his own way and told the British people what was the aim of his government. I find his speech in the official report of the imperial conference of 1930, starting on the first page of the annex. He spoke as follows:

> The Conservative party of Canada believes in, and employs, the principle of protection of the home producer of agricultural and fabricated products from harmful interference by world competitors. But it is not part of our policy to exclude from our markets foreign goods, so long as their importation does not threaten a reduction in the high standard of

living which our citizens enjoy. On the other hand, it is our declared policy to provide for the consumer a cheap market, by stimulating the growth of competing domestic industries to that point of development where they will be able, in fair competition with others beyond our dominion, to offer to the Canadian public products of like quality and at prices comparable to those prevailing in the larger markets of other countries.

And again, he said:

I offer to the mother country, and to all the other parts of empire, a preference in the Canadian market in exchange for a like preference in theirs, based upon the addition of a ten per centum increase in prevailing general tariffs, or upon tariffs yet to be created. In the universal acceptance of this offer, and in like proposals and acceptances by all the other parts of empire, we attain to the ideal of empire preference.

I do not think it is necessary to say anything more about it, since the matter was commented upon by my leader, the Prime Minister (Mr. Mackenzie King), who said at the time that it was absurd to ask the British countries to raise a wall of high tariffs against all other countries. Naturally such an absurd offer was declined by Great Britain and the other British possessions.

During the session of 1931, the government, then under the leadership of the present leader of the opposition, increased the tariff on 128 items by legislation and on two by order in council, and decreased the rates in respect of 55 items. These changes were not very successful; it was found that Canada could not live alone, so then it was decided to call an imperial economic conference to be held in Ottawa. Opening this conference as chairman, the right hon. gentleman, among many other banalities, said:

We have a common purpose. We have a supreme desire to achieve it. And there can be no group of countries in the wide world so capable of united action as are the countries which comprise the empire.

Therefore we are equipped and ready for the task. It would be folly to pretend it is not a great one. It would not be British to turn aside because it is. Great though it may be, grave as are the difficulties, we cannot hesitate.

That was said in a very firm tone. He continued:

We are bound in loyalty and self interest to go forward, knowing as we must that our success means the beginning of a new and greater prosperity for ourselves, the empire, and the world.

That was a great speech. The idea was to bring all British countries together and have new agreements passed. Some agreements were passed after the conference of 1932. In that year 150 items in the tariff were increased; one item was increased by order in council, and 144 items were decreased by parliament. These increases were mostly in accordance with the agreements signed by the different countries of the British empire. It will be remembered that Mr. Baldwin postponed his departure in order to sign something. This has been said already in the house and it must not be forgotten that on the day he was to leave nothing was ready. The papers said that the then Prime Minister shed tears because no papers had been signed. Mr. Baldwin waited one day more and finally signed some papers which had been carefully prepared by the members of the staff which had accompanied him. Those papers included the agreement which has been incorporated in our statute books.

This was a matter of give and take; we could not ship Canadian goods to Great Britain without taking British goods in return. I should like to direct the attention of the committee to page 2704 of Hansard of May 1, 1934. Hon. members will find there a letter from a Mr. English, Canadian trade commissioner, dated March 6, 1934, stating that the high commissioner did not think much of British exports to Canada. That was one of the mistakes made by the previous government. As the former Minister of Finance, Mr. Rhodes said last year, the first mistake was not to take advice or to obtain the necessary information before increasing the tariff. I should like to quote from page 3319 of Hansard of June 5, 1935:

Mr. Pouliot: I was told this afternoon that the government secured information from the tariff board in regard to the increases and decreases in duty that have taken place since 1930, but as the announcement of the appointment of the personnel of the board was not made in this house until February, 1933, may I ask the Minister of Finance who advised the government in regard to the increases and decreases in the tariff that took place from August 1, 1930, until the tariff board was appointed in February, 1933?

Mr. Rhodes: The government must take full responsibility for any changes it initiates, and I have no hesitation in saying that the government is quite prepared to undertake that responsibility.

The government took the responsibility, but it could give no compensation for the damages suffered. The letter from Mr. English shows that the trade was to be one-sided, according to the government of the day; that we were to ship Canadian goods to England but we were not to accept British goods in return. The letter speaks for itself. Letters were written by the then Prime Minister, copies of which are on file in returns, to the effect that all the members of the Department of Trade and Commerce located

in Great Britain were to be under the control of Mr. Howard Ferguson, the Canadian high commissioner.

To sum up. First of all, the previous government thought that Canada was self-supporting, that imports were not necessary, that Canada could be let alone. This was regarded by all the other nations of the world as absurd, and the government of the day tried to bring about some interimperial trade, neglecting completely the foreign trade of Canada. This also was found to be a mistake, and then what was done? They tried to secure better trade with all the other nations, and the then Prime Minister went to the world conference in London, where he met the representatives of sixty-three or sixty-four other states. That conference was unsuccessful. The right hon. gentleman was said to have saved the conference, but it died a natural death two or three days afterwards. It was a great success—the success of high tariffs. He used high tariffs as a remedy for unemployment, and at the same time we saw unemployment increasing by leaps and bounds in proportion to the increase in the tariff.

But there is something else. In 1934 the right hon. gentleman who is now leader of the opposition sent a telegram to Mr. Litvinoff, the Russian minister, inviting him to speak at the League of Nations at Geneva. But he alone did not send this telegram; it was a joint telegram signed by himself, Mr. Batoloff, Mr. Manuel Rivas-Vicuna, and many others.

Previously the government had passed—on February 27, 1931—an order in council which it is desirable—

The CHAIRMAN: Order. I would call the hon. member's attention to the fact that we are on item 462a, which has to do with photographic cameras and equipment for use by professional photographers and commercial finishers in their own business. I would ask him to confine his remarks to the item under discussion.

Mr. POULIOT: That is true, Mr. Chairman; but the different tariffs under this item will all be free when this schedule becomes effective. I am not however discussing so much the equipment for use by professional photographers as I am the abolition of the various rates of duty. That is the point, and my remarks will be very brief—I shall be through in five minutes. I have discussed the importance of lower tariffs for the benefit of this country, whether in connection with this item or any other, though I take advantage of the present item to make these few remarks. Not only that; this particular item is a part of the whole customs tariff and one can try to show the effect of one part in relation to the whole.

On January 30, 1935, the following question was put to the government:

> Did the Canadian delegation officially meet, in Geneva in September, 1934, Mr. Maxim Litvinoff, People's Commissary for Foreign Affairs of the U.S.S.R.?

The member for West Calgary (Mr. Bennett), then Prime Minister, answered, no. Another question was put:

> If so, did the Canadian delegation make any agreements with the Russian delegation, and, if it did, what are these agreements, particularly with regard to exportation of wheat and lumber to Great Britain?

The answer was also, no, according to unrevised Hansard of January 30, 1935. Therefore, after the right hon. gentleman, with the others, had invited Mr. Litvinoff to Geneva, he did not discuss with him such important matters as the wheat and lumber exports of Russia to the other countries of the world, which seems most extraordinary.

To show you, sir, that the way in which the Minister of Finance (Mr. Dunning) now deals with the tariff is much more sensible than the way the late government did, I will quote from an order in council which was passed on Friday, February 27, 1931:

> Whereas it is provided by section 2, chapter 3, of the 21 George V (second session)—"An act to amend the Customs Tariff"—that the governor in council may from time to time prohibit the importation into Canada of any goods exported directly or indirectly from any country not a contracting party to the Treaty of Versailles, and that any order prohibiting the importation into Canada of any goods from any such country shall be published in the next following issue of the Canada Gazette;
>
> And whereas the Minister of National Revenue reports that it has been established to his satisfaction that the Union of Soviet Socialist Republics was not a contracting party to the Treaty of Versailles aforesaid;
>
> And whereas the Minister of National Revenue further reports that, having regard to the documentary and other evidence that has been received by the various departments of the public service in Canada, it is in the public interest that the importation into Canada from the aforesaid Union of Soviet Socialist Republics of coal, wood pulp, pulpwood, lumber and timber of all kinds, asbestos and furs, should be prohibited; . . .

There is a conclusion in accordance with the foregoing. Well, it is pretty hard to accept the motive therein indicated. The fact that Russia was not one of the nations that signed the treaty of Versailles was not a reason for prohibiting the importation of Russian goods into Canada, because there were thirty-four other nations that did not sign that treaty. It was an insult and a defiance to them to say that Russian goods were forbidden entry into Canada because

Russia had not signed the treaty. It shows the childish way in which the government of that day was acting.

To conclude, sir. I am very much surprised at the importance which is attached to the remarks of the right hon. leader of the opposition. Since the beginning of the session he has not made a single constructive remark —not a single one. He reminds me of the fellow who drives his coach into the ditch. The present leader of the opposition drove the state coach into the ditch and last year used some small twine—the social legislation—to try to pull it out. The people have given to the present government a good rope for the purpose, but the coach is still there because the right hon. gentleman is in it and keeps on applying the brakes.

Mr. WILTON: I rise to a point of order. I would ask whether the direct attempt to abuse a member of the house is consistent with the item under consideration, or whether it is in order for the committee to listen to that kind of language.

Mr. POULIOT: Well, sir, I have just one thing to say.

Some hon. MEMBERS: Order.

Mr. POULIOT: It is that I regret very much having put the Minister of Finance in the same bag with the right hon. leader of the opposition. I remove the minister and I put in it instead the hon. member for Hamilton West (Mr. Wilton), to enjoy himself with the right hon. leader of the opposition.

Mr. BENNETT: Is there any reason why the provisions of this item should not extend to other than professional users of cameras? The difficulty of enforcing it seems to me very great; that is, differentiating between the professional user requiring equipment for professional purposes, and the private owner.

Mr. DUNNING: There was a very considerable examination, particularly on that phase of the matter, before the tariff board. It was on a reference, as my right hon. friend will probably recall; there was a consultation between the board and the administrative officials as to that phase of it, and apparently it has been found impossible to administer the item as at present worded. The size, for one thing, is important.

Mr. BENNETT: I was thinking of the accessories. I realize that cameras can be dealt with.

Mr. DUNNING: The Department of National Revenue, while acknowledging that it is not the easiest thing in the world, is prepared to endeavour to administer it. At the same time the tariff board, after a thorough investigation of the whole matter, thought it a desirable reform to bring about, and seeing that the administrative department is willing to try, I am inclined to let them do so.

Mr. BENNETT: That always has been the trouble.

Mr. DUNNING: Yes.

Mr. BENNETT: I think that was one of the principal reasons why the item was referred to the board.

Mr. DUNNING: That is true.

Mr. BENNETT: My memory is that it was not thought desirable—if I may be perfectly frank about it—to put small cameras, that is the ordinary cameras of commerce, on the free list; but it was represented, I think, to the late government that it was highly desirable that professional photographers should be able to secure the large sized cameras without having to pay a duty, because they were not made in Canada. I do not know whether they are made here now or not, but certainly they were not then. The difficulty I see arises not with the cameras but with the accessories.

Mr. DUNNING: Yes.

Mr. BENNETT: I must say that when I saw the item in the form in which the tariff board had put it, I was surprised that the department would take the responsibility of thus dealing with accessories. With reference to cameras it is easy to know to whom they are consigned, but in small communities accessories are often sold by the professional photographer in the community to those who may require them, and I suppose these photographers would continue to do so, although it says, "cameras for professional purposes, for making negatives," and then, "accessories for use with such cameras." I have no doubt, as the minister says, the officials have given the matter every consideration, that they realize the difficulty, and will take steps to overcome it.

Mr. DONNELLY: I just want to express my agreement with the leader of the opposition. For the life of me I cannot see how customs officials or anyone else can distinguish between a tripod that is to be used with a camera for making negatives 4¾ inches by 6½ inches, and one that is to be used with a small camera, and so make one free of duty and the other dutiable.

Mr. DUNNING: Of course the criticism of the hon. member (Mr. Donnelly) will apply

in connection with very many items of the tariff. It is frequently necessary for the department to rely upon a declaration with respect to the use of a particular article. If one refers to the verbatim transcript of the evidence taken by the board it becomes clear that none of the articles mentioned in this list is made in Canada. Even the accessories mentioned are not of a type manufactured in Canada.

Mr. BENNETT: Is that so with respect to all of them?

Mr. DUNNING: I understand so, yes. The Canadian manufacturers of the commodities mentioned in the application did not oppose the granting of this concession. What might be called the opposing elements came to an agreement on the general principles involved. They went into conference and actually agreed on the items.

Mr. BENNETT: Does that include everyone in the trade?

Mr. DUNNING: Yes.

Mr. BENNETT: Oh, well, I have nothing further to say if that includes the small interests—the druggist, for instance, who sells the supplies.

Mr. DUNNING: No—the manufacturers of the articles.

Mr. BENNETT: I am inquiring whether the consumer was consulted or not.

Mr. DUNNING: The consumer in this instance is the professional photographer. The professional photographer and the manufacturers of photographic supplies went into conference. I am free to say that I share somewhat the fear that the customs department may have difficulty with it. They are content, following a review of the evidence and the conclusions of the tariff board, to endeavour to administer the item, and we shall watch whether some change may be necessary as a result of experience. For the present we think this is a concession to the photographic industry that we can very well make in connection at any rate with that portion of their professional equipment which is not made in Canada.

Mr. STIRLING: Under the previous items where did the material largely come from which is covered by this new wording?

Mr. BENNETT: Rochester.

Mr. DUNNING: Well, more largely from the United States and Germany than anywhere else, although it was distributed over so many items of the tariff that it was difficult to trace with any accuracy.

[Mr. Dunning.]

Mr. BENNETT: Eastman's, of course, are the great kodak people of the world. To some extent they are rivalled by Germans. I thought they had a small plant at Toronto.

Mr. DUNNING: Not for manufacturing professional size cameras; just for the smaller ones.

Mr. STEVENS: In the schedules that we have before us as they appear in the votes and proceedings the old rates are indicated in the three columns to the right, and there I find five items referred to. Am I correct in assuming that those items are repealed and are now incorporated in item 462a?

Mr. DUNNING: No; the numbers of the old items, my hon. friend will note, are at the end. This is a case where previously the particular equipment in question was not separately classified for tariff purposes, but parts of it were contained within the items referred to by my hon. friend, and the effect of the item is to extract from the items so numbered the articles mentioned in this one. It has extracted a part from each of the ones mentioned.

Mr. STEVENS: I notice that items 288 and 427 are repealed.

Mr. DUNNING: No.

Mr. STEVENS: Well, they are, in this resolution that precedes it. The whole item is repealed.

Mr. DUNNING: There is an explanation of that.

Mr. STEVENS: The fact is that these items are repealed. At the moment I am not asking for an explanation—I will give the minister an opportunity of making one. But the fact that they are repealed is, I think, established by the resolution which we adopted or which we are now in process of considering. It will be noticed that item 288, for instance, is here referred to; the item we are considering, namely 462a, deals with photographic cameras, equipment, and so forth, and as far as I can see there is no reference in it to earthenware and stoneware, etc. Item 288 covers "earthenware and stoneware, brown or coloured and Rockingham ware; 'C.C.' or cream-coloured ware, decorated, printed or sponged, and all earthenware, n.o.p." This item is repealed, yet we see it is referred to here as in part going into this item. I will cite one or two more. The next item 427, also repealed, reads as follows:

All machinery composed wholly or in part of iron or steel, n.o.p., and complete parts thereof.

Then we turn to item 446a, which is also referred to and which is repealed. That item reads:

Manufactures, articles or wares, of iron or steel or of which iron or steel or both are the component materials of chief value, n.o.p.

Then item 462, directly referring to this item, or the item preceding it, is also repealed.

Philosophical, photographic, mathematical and optical instruments ...

This is something that I think should be very carefully considered. We are here dealing with photographic instruments, yet we find three important items, covering machinery, earthenware, and so forth, repealed, and apparently indicated in the schedule as being now covered in this new composite item. I sometimes fear that the committee by its action in approving the repeal of an item may be doing something the importance of which it is not fully aware. That is why when we began the consideration of this schedule I suggested to the minister that we should have very full information on the items that are being repealed and dealt with in this way. I know from past experience that sometimes when items in the tariff are brought together for better administration, into a supposedly composite item the result is a very important change in the tariff which perhaps passes without knowledge or full consideration.

Mr. BENNETT: But here we have put in a new item, 288, for Rockingham ware.

Mr. STEVENS: What puzzles me is why it should be attached to this item.

Mr. BENNETT: It is not.

Mr. DUNNING: This is one of those cases where the result of giving the kind of information which has been given in the committee—I think probably I started it in 1930—is to confuse the mind of even as industrious an investigator as the hon. member for Kootenay East (Mr. Stevens). I congratulate him on the extent of his researches, but I have to inform him that he has not gone quite far enough. The items here dealt with under 462a were formerly dutiable under each of the items to which he referred, and which are shown in the sixth column in the schedules as they appear in the votes and proceedings, but dependent upon the kind of material involved and the special matters with which we are dealing. There are other items in the list of tariff amendments with which we are dealing which relate to the same items, and which bring about other changes. My hon. friend will see, if he traces it through a little further, that the repeal of an item is followed by a substitution of something which completely takes its place but in a divided form.

Mr. BENNETT: Preceded in this case by 288.

Mr. DUNNING: Yes. I know of no better way to do it, or in which I could show in a list forming part of the schedule the particular kind of complication which I am now endeavouring to explain. If I endeavoured to print it I am afraid it would take a volume—

Mr. STEVENS: I am not asking that.

Mr. DUNNING: —because the explanation may differ on each item.

Item agreed to.

Customs tariff—463. Magic lanterns and slides therefor, n.o.p.: British preferential tariff, free; intermediate tariff, 20 per cent; general tariff, 25 per cent.

Mr. BENNETT: Just adding "n.o.p."

Item agreed to.

Customs tariff—473. Plates for printing in two or more colours, including electrotypes, nickeltypes and all engravings on steel or other metal, for use exclusively in printing, n.o.p.: British preferential tariff, free; intermediate tariff, 15 per cent; general tariff, 20 per cent.

Mr. DUNNING: Just adding "n.o.p."

Item agreed to.

Customs tariff—473a. Printing plates of all kinds for periodical publications enjoying second class mailing privileges, and matrices, metal bases and copper shells therefor: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 25 per cent.

Mr. DUNNING: There is just a slight change in wording in this item. If members of the committee will follow the wording of the item as it appears in the votes and proceedings they will see it:

Printing plates of all kinds for periodical publications enjoying second class mailing privileges, the pages of which are regularly bound, wire stitched or otherwise fastened together, and matrices, metal bases and copper shells therefor, but not to include printing plates and other articles covered by tariff item 475.

The intent is to clarify for administrative purposes the reduction here provided for, and to make it clear, as it was formerly in the tariff, that it applies to wire stitched or bound publications.

Mr. ILSLEY: I so move.

Mr. BENNETT: I suppose this is another of the items about which the open letter is addressed to myself. This excludes the daily newspapers?

Mr. DUNNING: Yes.

Mr. BENNETT: Or any other publication that is not bound. As it stood, any periodical enjoying second class mailing privileges, which includes of course weekly newspapers and trade journals not bound or not issued periodically, would come within the provision. As it stands now there is a limitation to wire stitched or bound publications. The rate is now 7½ per cent as distinguished from the old rate of 15 per cent. As a matter of fact since the old rate was 20 per cent from the United States, it is a reduction from 20 to 7½ per cent.

Mr. DUNNING: That is right. It is according to the agreement.

Mr. BENNETT: Affording by this method what they call "freer competition" for the Canadian magazine against its competing American brother. That is the effect at any rate.

Amendment agreed to.

Mr. STEVENS: May I crave the indulgence of the committee a moment further? I have been turning these items up. I do not do this to harass the minister, but his answer just now might leave the impression that I was frivolous in my observation—

Mr. DUNNING: Oh, not at all! I am sorry if I conveyed that impression.

Mr. STEVENS: For instance I cannot understand the repeal of item 622. I have sought to understand these items by the references to them in these lists. Item 622 refers to trunks, valises, hat boxes, carpet bags, tool bags, and baskets of all kinds. That item is repealed. But in the schedule with which we are now dealing it appears in conjunction with photographic cameras. I submit that I could not do otherwise than look at the item in conjunction with this new item in the new schedule, and for the life of me I cannot see the relation. The minister may be able to answer and say it appears somewhere else, but I looked up some of the leather items and I cannot locate it within these several hundred items.

Mr. DUNNING: There is no repeal of item 622.

Mr. STEVENS: Well, it appears in that form here. It is not in the list of items dealt with in the schedule.

Mr. DUNNING: No.

Mr. STEVENS: Why does it appear here in the sixth column?

Mr. DUNNING: Part of the new item was formerly under 622.

[Mr. Dunning.]

Mr. STEVENS: Item 622 refers to trunks, valises, hat boxes and so on. Can anyone tell me what that has to do with photographic supplies?

Mr. DUNNING: We will see what we can do.

Mr. STIRLING: It has reference to kits and carrying cases, which are mentioned in the new item.

Mr. DUNNING: The old item 622, which still remains in the tariff, is a container item, covering containers of all kinds such as trunks, valises, hat boxes, carpet bags, tool bags and baskets of all kinds. The item now under discussion contains these words:

... accessories for use with such cameras; lenses, shutters, exposure meters, range finders, film and plate holders, lens hoods, lens boards, ground glass carriages, reducing backs, reversible adapter backs, lantern slide attachments, film sheaths, combination paper and plate holders, kits, carrying cases,—

Formerly, these cases would have been dutiable under item 622, but it was not necessary to repeal item 622 to provide a separate classification for the articles in question. Item 622 was and still is an n.o.p. item.

Item as amended agreed to.

Customs tariff—476a. Glassware and other scientific apparatus for laboratory work in public hospitals; chairs and tables for surgical operating purposes, and complete parts thereof; infant incubators and complete parts thereof; electro cardiographs and complete parts thereof, and sensitized film and paper for use therein; apparatus for sterilizing purposes, including bedpan washers and sterilizers but not including washing nor laundry machines; all for the use of any public hospital, under regulations prescribed by the minister: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: Item 476a has been in the tariff for many years, and in the present instance the rating is unchanged. However there are one or two changes in the wording. The existing provision for surgical operating tables has been widened to include surgical operating chairs for hospital use. Further, the item has been widened to include cardiographs and films therefor. Neither cardiographs nor films have previously been mentioned in the tariff. Cardiographs have been subject to free entry, under item 696, when for use in public hospitals, but the specially prepared film for use in the expensive equipment has been dutiable, as ordinary equipment, under item 187. Film of this kind is not made in Canada, and the item has been reworded to cover, as I have indicated, not only cardiograph machines but the film to be used in connection therewith. The

third amendment to the wording entails the inclusion of the words "infant incubators and complete parts thereof." These are extremely expensive pieces of modern hospital equipment, and often play a vital part in saving the lives of prematurely born children. Formerly they were ruled dutiable as electrical apparatus, n.o.p. They are now made free of duty under all tariffs, when for use in a public hospital. I believe that is a complete explanation.

Mr. BENNETT: I thank the minister for his explanation. I had occasion to bring the matter to the attention of the department only recently, and I wished to be perfectly certain that the words would cover the cases to which the minister has so kindly referred. This is particularly true with respect to the chairs he mentioned, and the cardiograph films and machines.

Item agreed to.

Customs tariff—494b. Cork blocks, boards, planks, slabs, rods or tubes, produced from cork waste or from granulated or ground cork, when for use in Canadian manufactures: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: The rating is unchanged. The only change is to alter the wording of the item so as to include "rods or tubes, produced from cork waste or from granulated or ground cork" used in the manufacture of cork products.

Item agreed to.

Customs tariff—505. Sawn boards, planks and deals planed or dressed on one or both sides, when the edges thereof are joined or tongued and grooved, n.o.p.: British preferential tariff, 17½ per cent; intermediate tariff, 22½ per cent; general tariff, 25 per cent.

Sir GEORGE PERLEY: Why is there a change in the wording of the item?

Mr. DUNNING: It is in consequence of the inclusion of the next item, and possibly it would facilitate matters if we discussed items 505 and 505a together. They are really parts of the one whole. The only change in item 505 is the addition of the letters n.o.p. Item 505a is an entirely new item in the Canadian tariff schedule. Up to the present hardwood flooring, if jointed or tongued and grooved, has been dutiable under item 505 at 17½, 22½ and 25 per cent; finished in any other manner they were given exactly the same rates, but were placed under item 506. By virtue of the Canada-United States trade agreement all hardwood flooring imported from the United States, and therefore from any most favoured nation country, is now dutiable at 20 per cent. For many years the hardwood flooring manufacturers in Canada have sought a classification for their product in the Canadian tariff schedule, their plea being that the value of their product, and its importance in relation to the total value of our woodworking production, warranted a classification by itself. Further they have contended that the absence of a classification has made it difficult to trace imports and to secure reliable statistical data regarding trade. The present item, which has been framed to cover all hardwood flooring of beach, birch, maple and oak, however manufactured, meets the requirements of the flooring industry for recognition of their product in the schedule. The rates shown are those at present existing under items 505 and 506, namely 17½ per cent, 22½ per cent and 25 per cent.

Mr. BENNETT: What about the 20 per cent?

Mr. DUNNING: The intermediate rate which remains at 22½ per cent interferes in no way with the undertaking given the United States under the recent agreement to the effect that hardwood flooring imported from that country will be dutiable on importation into Canada at the rate of 20 per cent.

Mr. BENNETT: That is a preference of 2½ per cent for their flooring.

Mr. DUNNING: Yes.

Mr. STEVENS: Where is the 20 per cent mentioned?

Mr. DUNNING: In the Canada-United States treaty.

Mr. STEVENS: It does not appear in the tariff?

Mr. DUNNING: No.

Mr. BENNETT: Does that mean that other countries also enjoy the 20 per cent?

Mr. DUNNING: Any most favoured nation.

Mr. BENNETT: Then this item in the tariff would refer only to those countries which are not most favoured nation countries?

Mr. DUNNING: Yes.

Mr. BENNETT: There would be very few of them producing hardwood flooring.

Mr. STEVENS: No country with the intermediate tariff would be producing it.

Mr. BENNETT: Possibly Russia would.

Mr. DUNNING: The manufacturers desired a classification of their product, and thanked us for it, as a matter of fact. May

I point out that we must have a rate in the schedule, notwithstanding the fact that we have an agreement with the United States covering the item.

Mr. BENNETT: Was it a bound item?

Mr. DUNNING: In the agreement it is a bound item for three years, but at the end of three years if we fall back on the intermediate tariff it should be 22½ per cent, in the judgment of those who have studied the matter.

Mr. BENNETT: So far as I can see, at 22½ per cent the item would not affect any country at all, because it is an intermediate tariff.

Mr. DUNNING: In a practical way that is correct.

Mr. STIRLING: Will the 20 per cent appear in the office consolidation and receive a number? How will the customs officers know about it?

Mr. DUNNING: As a matter of information, the departmental officials advise me they are endeavouring to work out an office consolidation of the tariff which in the nature of things would involve five instead of three columns, brought about because of the necessity on the part of the public of knowing tariff rates under the French treaty, the United States treaty and others.

Item agreed to.

Customs tariff—505a. Hardwood flooring, tongued and/or grooved, or jointed viz.:—beech, birch, maple and oak: British preferential tariff, 17½ per cent; intermediate tariff, 22½ per cent; general tariff, 25 per cent.

Item agreed to.

Customs tariff—522. Rovings, yarns and warps wholly of cotton, not more advanced than singles, n.o.p.: British preferential tariff, 12½ per cent; intermediate tariff, 15 per cent; general tariff, 22½ per cent; and per pound: intermediate tariff, 3½ cents; general tariff, 4 cents.

Mr. BENNETT: Did the tariff board report on the item?

Mr. DUNNING: Yes. I would suggest that any discussion might be had on items 522 to 529a, because they are the subject of the tariff board report mentioned by the leader of the opposition, to which I made reference in the budget speech.

Mr. BENNETT: It was a long hearing in which representatives from Great Britain appeared before the board.

Mr. DUNNING: The hearing stretched over two years.

[Mr. Dunning.]

Mr. BENNETT: Yes, I knew it was more than a year, but I did not know it was quite that long. Am I right in assuming that the report of the board has been adopted in every particular in these several items we are now considering? If not, in what particulars has there been a change? And am I right in assuming that the reason for the change has been that the British preferential tariff is no longer on the basis of a specific rate?

Mr. DUNNING: The right hon. gentleman is correct in that understanding, and correct also with regard to the report of the tariff board down as far as item 529a. The tariff commissioner advises me that 522c and 529 are exceptions to the remark I made a moment ago, but they are necessarily subject to the considerations which influenced the tariff board in their report on these other items, and are directly related. That is the situation as far down as item 529a.

Item agreed to.

Customs tariff—522c. Rovings, yarns and warps wholly of cotton, including threads, cords and twines generally used for sewing, stitching, packaging and other purposes, n.o.p.; cotton yarns, wholly or partially covered with metallic strip, generally known as tinsel thread: British preferential tariff, 15 per cent; intermediate tariff, 22½ per cent and 3½ cents per pound; general tariff, 25 per cent and 4 cents per pound.

Item agreed to.

Customs tariff—523. Woven fabrics, wholly of cotton, not bleached, mercerized nor coloured, n.o.p., and seamless cotton bags: British preferential tariff, 15 per cent; intermediate tariff, 20 per cent and 3½ cents per pound; general tariff, 25 per cent and 4 cents per pound.

Item agreed to.

Customs tariff—523a. Woven fabrics, wholly of cotton, bleached or mercerized, not coloured, n.o.p.: British preferential tariff, 20 per cent; intermediate tariff, 22½ per cent and 3½ cents per pound; general tariff, 27½ per cent and 4 cents per pound.

Item agreed to.

Customs tariff—523b. Woven fabrics, wholly of cotton, printed, dyed or coloured, n.o.p.: British preferential tariff, 22½ per cent; intermediate tariff, 27½ per cent and 3½ cents per pound; general tariff, 32½ per cent and 4 cents per pound.

Item agreed to.

Customs tariff—529. Embroideries, lace, nets, nettings, bobinet, n.o.p., fringes and tassels, wholly of cotton: British preferential tariff, 20 per cent; intermediate tariff, 27½ per cent and 3½ cents per pound; general tariff, 30 per cent and 4 cents per pound.

Item agreed to.

Customs tariff—529a. Lace embroideries wholly of cotton, not coloured, imported by manufacturers for use exclusively in the manufacture of clothing in their own factories: British preferential tariff, 7½ per cent; intermediate tariff, 12½ per cent; general tariff, 20 per cent.

Mr. BENNETT: The specific duty on all these items was reduced 25 per cent, I think, in 1935. I am not sure whether cottons were reduced 25 per cent or 33⅓ per cent, but there was a reduction on them, and that was pending receipt of the report from the tariff board.

Mr. DUNNING: They were reduced by one-third.

Mr. BENNETT: Pending receipt of report from the board, and the board took that fact into consideration, I fancy, when they recommended that the balance of the specific duty imposed against British goods be removed entirely. I have not had time to read the report of the board, because it only came in, as the minister remembers, about the time the budget was delivered.

Mr. DUNNING: I received it only a very short time before.

Mr. BENNETT: In the language of one of the hon. gentleman's predecessors, the two seemed to synchronize.

Mr. DUNNING: Perhaps I might be permitted to mention one point that arises there; my right hon. friend could possibly help me. The law respecting the tariff board requires the minister to lay on the table of the house, within, I think, fifteen days after receiving it, any report from the tariff board. I do not know what was the experience of my right hon. friend or of his finance minister, but there are many occasions, it seems to me, upon which it would be quite undesirable to lay such a report on the table of the house until the action of the government with respect to the report was made known to the house in the form of the budget itself. I can well imagine circumstances of very grave embarrassment, particularly with respect to hearings respecting the rights of other nations under treaties and things of that sort, if this requirement has to be rigidly observed. I do not say that it was a great embarrassment at this time—

Mr. BENNETT: I should think not.

Mr. DUNNING: I should prefer to have had some of these reports available to myself earlier than they were available, but I was by law compelled, in advance of the budget, to lay the reports on the table of the house within fifteen days after receiving them. I doubt very much the general advisability of that provision. I know, of course, it is desirable and the law intends that the information shall be made available to the house upon its receipt from the board.

Mr. BENNETT: The real reason of it, as I think my hon. friend will see if he reads the debates of that time, was that it was believed, especially by those who then sat to the left of the Speaker, to be highly desirable that the public should have all the information possible with respect to these matters.

Mr. DUNNING: I agree entirely.

Mr. BENNETT: And that the judgment of the board should be treated as a judgment of the court and should be known, as far as that might be possible, by everybody at the earliest possible moment. There is no provision in the Tariff Board Act, as I recall it, and I speak subject to correction, for the publication of the report if the house is not in session. There might, of course, be publication from the knowledge of the parties to the controversy that the court had thus decided their case, but so far as the minister is concerned the provision with respect to laying on the table within fifteen days applies only when the house is in session. The argument that was then used I found it difficult to answer, and I find it difficult to answer now. The argument, as I recall it, was this: that the report of the board should be laid on the table of the house as soon as possible after the opening of parliament in order that the house may be seized of all the circumstances connected with the adjudication. But the public has known it ever since the judgment was given, just as the public knows the result of, let us say, an appeal to the privy council. In that case it knows it on the morning the committee delivers its judgment, but the formal judgment, which is that of the king in council, does not come until after the report has been made by the judicial committee to the king, and has been approved by the king in council. What happens when a judgment of the tariff board is delivered, and the board suits its own convenience as to the study it gives to the matter, is that it then becomes a matter of public knowledge.

Mr. DUNNING: Not under part I.

Mr. BENNETT: That refers to applications to the board initiated by the minister, but I am talking about cases where, as in this case, the parties made application to the

board. It will be recalled that in the textile case, for instance, they made application to the board. They applied first to the minister to refer the case to the board, but he did not do it of his own motion, and then the parties applied to the board through the minister. As the minister himself pointed out the other day, the finance minister has certain rights. He can decide whether or not he will refer any question at all to the board. In this instance, if my memory serves me, and I have not read the case recently, they applied to the minister to refer it to the board.

Mr. DUNNING: And he did so under part I.

Mr. BENNETT: Under part one, of course, there is no public judgment delivered, but the report goes back to the minister.

Mr. DUNNING: I have no trouble except with references other than under part I.

Mr. BENNETT: There would be no difficulty when the house was not in session, and the difficulty in this case, I take it, is that the minister did not have a longer time than fifteen days within which to consider the report before tabling it. That is a short way of putting the difficulty. I will look up the act, but my recollection of the discussions that took place in the house at the time is that if the report of the board to the minister was delivered while parliament was in session the minister was required to lay it on the table within fifteen days after that in order that the house might be seized of it, and the argument was that the house should become informed of the whole situation before the budget was delivered.

It is not incumbent upon the minister to follow the findings of the board at all. He can do as he pleases, as he pointed out the other day. But the argument was that the house should have the opportunity fully to acquaint itself with the report made to the minister in order that when the budget was delivered they might know to what extent his judgment was influenced by the finding of the board. I think that was the argument that was made, but the minister himself was not then in the house. His honoured colleague who sits to his left perhaps will inform him as to the attitude taken by his own friends at that particular time. I think the act meets this as far as it is possible to do so, having regard to all the circumstances.

The minister referred to another matter the other day, the extent to which the private operations of business concerns should become known to competitors. He stated that he had to meet this question in connection with one of these cases—I believe it was the gasoline inquiry. I think it is fair to say that in practice this board has carried out its work with a good deal of satisfaction to those who have had occasion to have recourse to it. It takes time to establish the smooth running of an institution such as this, but I believe in the main it has given very patient consideration to every case referred to it and to the applications made under part II of the act.

Mr. DUNNING: I apologize for taking up time, but this is a matter of some considerable importance. I made the reference I did to the fifteen days because of the fact that we are here by virtue of the Tariff Board Act grafting a new branch on to a very old institution, the institution of the budget in accordance with British plan and British tradition of what a budget should be. We all know how carefully guarded the budget is and must be if we are to avoid speculation on the part of the public, informed or uninformed. The traditional secrecy surrounding what is to be contained in the budget is, I take it, a matter of vital importance to our system.

Mr. BENNETT: Ours is better than the corresponding British one.

Mr. DUNNING: I think it is. If one could visualize the gasoline report of the board being brought down in this house two or three weeks before the budget, one could also visualize the volume of speculation of an unhealthy kind which might take place.

Mr. BENNETT: Forestalling, as they call it in England.

Mr. DUNNING: I believe we would be into the American system of tariff making, that is unless it became known that the government was not likely to accept recommendations from the tariff board. In such a case the usefulness of the tariff board would be impaired. If it were known that the government was very likely to accept recommendations from the tariff board, if public confidence in that board had grown to such a point that in almost every case the government accepted its report, then the tabling of a report in advance of the budget would be tantamount to advertising in advance a change in the scale of taxation on the date the budget was to be brought down.

Mr. BENNETT: I think the previous government adopted every recommendation made.

Mr. DUNNING: I think probably they did. I bring this forward not by way of creating a controversy or of announcing any proposal to change the law, but as a matter for consideration, arising out of my experience of the last few months, particularly in connection with the preparation of the budget. It is true there is a difference between the method of publicity followed under the present Tariff Board Act and the method of publicity followed in connection with the tariff advisory board, when the party to which I belong was previously in power. The method then followed was of maximum publicity in respect of the hearing and the evidence, but the judgments of the board were never made public. Advice was given by the board to the minister of finance of the day.

Mr. BENNETT: In some cases it was not a matter of record.

Mr. DUNNING: In some cases it was not a matter of record. I am not debating at the moment the relative merits of the different methods. It is obvious that there is quite an essential difference with regard to the treatment of the report from the standpoint of publicity. I just want to leave this with the committee, as I believe the committee and the membership of the house generally is desirous of building up a more scientific approach to our settlement of tariff questions in this house. This matter can never be divorced from politics, as politics is of the essence. We hope to develop a system which will mean an informed public and particularly an informed membership of this house without impairing the necessity of careful protection against abuses which can so easily arise in connection with leaks or possible leaks with respect to the budget.

Mr. BENNETT: There is a distinct difference between a reference to the board by the minister without an application and a reference made in consequence of an application.

Mr. DUNNING: Right.

Mr. BENNETT: It is also different when parties to trade agreements make applications to the board. It does seem to me that if the act is not sufficiently broad, we could deal by regulation with the difficulty to which the minister has directed attention. I shall look this up myself, but at the same time I desire to express the deep regret of all of us who sit on this side that when the act was introduced in the house the hon. gentleman was not a member. The words which he has used this afternoon were almost identical with those used in the introduction of a measure which I regret to say met with such stalwart opposition from the hon. gentleman who sits to his left.

Mr. DUNNING: My right hon. friend will not let me be non-partisan.

Mr. BENNETT: Oh, yes, delighted. Is there any question of French cotton lace under this item? This matter had not been finally determined at the time we left office.

Mr. DUNNING: We have carefully observed all our trade agreement commitments.

Item agreed to.

Customs tariff—532. Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly of cotton, n.o.p.; fabrics wholly of cotton, coated or impregnated, n.o.p.: British preferential tariff, 25 per cent; intermediate tariff, 30 per cent; general tariff, 35 per cent; and, per pound: intermediate tariff, 1½ cents; general tariff, 4 cents.

Mr. HEAPS: I assume this item deals with clothing. I have received requests from some of my Scotch friends in the city of Winnipeg for the reduction of the duty on Highland costumes. These people feel that an injustice is being done to the Scotch folk in this country because of the tariff on Highland costumes. I think it was the Minister of Finance who permitted bagpipes to come in free of duty in 1930, and my Scotch friends in Winnipeg feel that if bagpipes can come in free of duty, Highland costumes should also come in free of duty. Where these costumes are brought in for personal use only I think they should be given the same privilege as is given at present to the bagpipes.

Mr. DUNNING: My hon. friend's concern for his Scottish constituents does him credit indeed, but his knowledge of Highland costumes is surely limited when he imagines that such costumes are made of cotton.

Mr. HEAPS: I did not say that.

Mr. DUNNING: This item reads, "composed wholly of cotton."

Mr. HEAPS: Under what classification would Highland costumes come?

Mr. DUNNING: I am inclined to think they would come under the corresponding item in the woollen schedule, which is not before us.

Mr. BENNETT: This does not touch the woollen schedule?

Mr. DUNNING: No. I have a suggestion to make to my hon. friend. The race to which he belongs is engaged largely in the clothing business, and I am surprised that the warmness of heart which he has professed towards the Scotch race should not be reflected in the clothing industry. I am surprised that Scottish costumes have to be imported when there are so many engaged in the business of manufacturing clothing here. I should think a special effort would be made to meet the need and the desire of the Scottish people for the tartan and the kilt and other goods manufactured of wool—which is entirely out of order on this item.

Mr. HEAPS: I appreciate very much what the minister has said, but he ought to know, if he knows his Scotch friends at all, that they prefer to have costumes that come from Scotland. Someone says it depends on the price. I think there is something in the letter I received. These people prefer to have costumes that come right from Scotland. It seems to me that when clothing of this kind comes under the schedule this item might apply. I suggest that the minister should give to these costumes the same consideration as was given to bagpipes a few years ago. However, I will discuss the matter with some of my friends, to see whether these costumes cannot be manufactured in Canada.

Item agreed to.

Customs tariff—558b. Rovings, yarns and warps wholly of artificial silk or similar synthetic fibres, produced by chemical processes, not more advanced than singles, not coloured, with not more than seven turns to the inch, under such regulations as the minister may prescribe: (a) produced from cellulose acetate: British preferential tariff, 5 per cent; intermedate tariff, 30 per cent; general tariff, 35 per cent.

Provided that, in no case, shall the duty under the intermediate or the general tariff be less than, per pound: British preferential tariff —; intermediate tariff, 28 cents; general tariff, 28 cents. (b) n.o.p.: British preferential tariff, 20 per cent; intermediate tariff, 30 per cent; general tariff, 35 per cent.

Provided that, in no case, shall the duty under the intermediate or the general tariff be less than, per pound: British preferential tariff —; intermediate tariff, 28 cents; general tariff, 28 cents.

Mr. DUNNING: This item and item 558d are both tariff board items, and we might discuss them together, because they are definitely interrelated.

Customs tariff—558d. Rovings, yarns and warps wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes, n.o.p., including threads, cords or twist for sewing, embroidering or other purposes, not to contain silk; artificial silk yarns wholly or partially covered with metallic strip, one pound of which shall contain not less than 10,000 yards; under such regulations as the minister may prescribe: (a) produced wholly from cellulose acetate: British preferential tariff, 7½ per cent; intermediate tariff, 30 per cent; general tariff, 35 per cent.

Provided that, in no case, shall the duty under the intermediate or the general tariff be less than, per pound: British preferential tariff—; intermediate tariff, 28 cents; general tariff, 28 cents.

Mr. BENNETT: The tariff board gave a good deal of time, apparently, to the consideration of these items. I am bound to say that from a reading of the item, and knowing the facts as presented, it does seem that the protection afforded the Canadian industry is reasonably light at the present time. The effect is greatly to lessen it, almost up to the danger point. I am not certain about that, but, that is my information strengthened by my memory of it in the past, together with inquiries I have made and a casual glance at the report of the board. However, the board has reported upon it.

Mr. DUNNING: I have here extracts from the report of the board bearing on that point, if my right hon. friend desires to have them.

Mr. BENNETT: If it is in the report I can read it.

Item agreed to.

Customs tariff—561. Woven fabrics wholly or in part of artificial silk or similar synthetic fibres, produced by chemical processes, not to contain wool, not including fabrics in chief part by weight of silk, n.o.p.: British preferential tariff, 30 per cent; intermediate tariff, 40 per cent; general tariff, 45 per cent; and, per pound: British preferential tariff—; intermediate tariff, 40 cents; general tariff, 40 cents.

Mr. DUNNING: This is also a tariff board item.

Mr. BENNETT: There is an increase in the ad valorem duty and an elimination in the specific.

Mr. DUNNING: Yes, a balancing up of all the factors.

Mr. BENNETT: I think it might be well to say at this particular time that all these textile tariff duties placed on the books in 1930 were really emergency measures to meet an exceptional situation, as explained at that time. It will be recalled that the United States adopted the principle of an ad valorem and a specific duty with respect to woollens when they desired to encourage their industry, and the only difference between us was that we were undertaking to do it gradually, taking

off a third one year, a third the next, and then a third. In the meantime the board was considering the matter and recommended that it be all taken off in 1935-36, instead of taking it off in the manner originally intended. My memory is that only one-third was taken off last year, 1935, and that is as far as it got. Did that third apply to both rayon and cotton goods, or only to cottons?

Mr. DUNNING: Only to cottons.

Mr. BENNETT: As regards the woollens, we took off 25 per cent.

Mr. DUNNING: Yes, that is right; you have a most remarkable memory.

Mr. BENNETT: I just happened to remember that.

Item agreed to.

Customs tariff—564a. Irish poplin, composed wholly of silk and wool, not exceeding twenty-five inches in width, imported in the web in lengths of not less than five yards each, under such regulations as the minister may prescribe, by manufacturers of neckties, scarves or mufflers for use exclusively in the manufacture of such articles in their own factories: British preferential tariff, 20 per cent; intermediate tariff—; general tariff—.

Mr. DUNNING This is the Irish item.

Mr. BENNETT: It will be free under the intermediate and general.

Mr. DUNNING: No; they cannot come in at all under this tariff item.

Mr. STEVENS: If they were offered for entry by the United States or any other country, would they not come under some n.o.p. item? If so, what item?

Mr. DUNNING: Item 555 in the woollen schedules.

Mr. BENNETT: Irish poplin would not be in the woollen schedules.

Mr. DUNNING: Yes; it is 73 per cent wool.

Mr. BENNETT: Is there no tariff at all?

Mr. DUNNING: Not under this item. It would throw them automatically into the n.o.p. woollen item, where it is intended that they should be, coming from other countries.

Mr. DONNELLY: What will be the tariff under 555?

Mr. DUNNING: Thirty-five per cent and thirty cents per pound. This is a real concession to the Irish; we shall all be wearing Irish poplin ties in this house next year.

Item agreed to.

Customs tariff—567a. Clothing, wearing apparel and articles, made from woven fabrics and all textile manufactures, wholly or partially manufactured, n.o.p., of which the component of chief value is artificial silk or similar synthetic fibres produced by chemical processes: British preferential tariff, 25 per cent; intermediate tariff, 35 per cent; general tariff, 50 per cent; and, per ounce: British preferential tariff—; intermediate tariff, 5 cents; general tariff, 7 cents.

Mr. BENNETT: Is this the same as the board's report?

Mr. DUNNING: No, this is not the board's report but is consequent upon it.

Mr. BENNETT: It is the item to which the minister had reference a moment ago.

Mr. DUNNING: Yes.

Item agreed to.

Customs tariff—569c. Hat braids, of a class or kind not made in Canada, whether woven, knitted or plaited, not exceeding six inches in width, imported for use exclusively in the manufacture of hat bodies or shapes, but not for use in the ornamentation of trimming of such bodies or shapes, under regulations prescribed by the minister: British preferential tariff, free; intermediate tariff, free; general tari, free.

Mr. DUNNING: This changes the width of braid from four to six inches; that is all.

Item agreed to.

Customs tariff—569e. Miners' safety helmets for use exclusively in mining operations, firemen's helmets and sand-blast helmets, of a class or kind not made in Canada: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. BENNETT: These specifically named articles were never dutiable.

Mr. DUNNING: It is unchanged in the rating but there is a change in the wording. Whereas the existing item refers only to miners' safety helmets, the new wording covers firemen's helmets and sand-blast helmets. These types of helmets are life saving equipment. In the past, firemen's helmets particularly, because of non-classification in the tariff, paid relatively high rates. These are all of a class or kind not made in Canada and it is proposed to make them free under all tariffs.

Item agreed to.

Customs tariff—603. Fur skins, wholly or partially dressed, n.o.p.: British preferential tariff, 10 per cent; intermediate tariff, 15 per cent; general tariff, 15 per cent.

Provided that, the duty on hare or rabbit skins under the general tariff shall not be less than, per dozen: general tariff, 72 cents.

Mr. DUNNING: This is unchanged in wording or rates but it no longer provides for specific duties under the intermediate tariff on dressed rabbit skins.

Mr. BENNETT: I understood the minister to say it did not affect Australian exports.

Mr. DUNNING: No. The Australians have not really raised the point and they have not been able to do anything under the rabbit skin preference. They did not send us dressed skins at all.

Mr. BENNETT: What will happen under the intermediate tariff if it is desired to import a thousand rabbit skins from the United States? What would be the rate?

Mr. DUNNING: Fifteen per cent flat.

Mr. BENNETT: Without any rate per dozen?

Mr. DUNNING: Yes. They do not come from the United States. The chief source is Belgium.

Item agreed to.

Customs tariff—607, part 2: Leather, as hereunder described, but not to include suedes, Cabrettas, Spanish capes or African capes, when imported by manufacturers of gloves or leather clothing, for use exclusively in manufacturing gloves or leather clothing in their own factories. viz.:—(i) made from sheepskins: British preferential tariff, 5 per cent; intermediate tariff, 7½ per cent; general tariff, 20 per cent.
(ii) n.o.p.: British preferential tariff, 5 per cent; intermediate tariff, 15 per cent; general tariff, 20 per cent.

Mr. DUNNING: I have had a lot of trouble with this item. I will tell the committee frankly what it was. The case is a curious one. Prior to the Canada-United States trade agreement there was a reference to the tariff board by my predecessor in office of a request from glove manufacturers for a reduction in the duty from 20 per cent to 10 per cent. The coming into effect of the Canada-United States agreement automatically placed the duty on these leathers at 7½ per cent, and immediately, of course, the applicants for a reduction to 10 per cent withdrew their application, having secured under the Canada-United States agreement a rate less than they were applying for.

Mr. BENNETT: Which was applicable to other countries.

Mr. DUNNING: That left the matter more or less up in the air. There was made available to me the information which the tariff board had collected on the matter prior to the date of the withdrawal of the application, and on that basis we endeavoured to do the best we could with the question. Since the item as drafted has been published we have had further representations which move me to ask the committee to change the item to read as follows:

Leather, consisting of beef-cattle hides, horse hides, and sheep skins, but not including suedes, Cabrettas, Spanish capes or African capes, when imported by manufacturers of gloves or leather clothing, for use exclusively in manufacturing gloves or leather clothing in their own factories: British preferential tariff, 5 per cent; intermediate tariff, 15 per cent; general tariff, 20 per cent.

Mr. STEVENS: That is the same reading as the old item.

Mr. DUNNING: As the old item in the tariff, yes, but it is an adjustment of the rates. It is a matter of weighing the relative merits of the contentions of the glove leather manufacturers and of the glove manufacturers, and as between different types of leather in relation to the same ultimate commodity, and I think the suggestion I am now making represents a fair weighing of the whole situation.

Mr. STEVENS: What are the rates?

Mr. DUNNING: The rates are 5, 15 and 20 per cent.

Mr. STEVENS: This raises the intermediate tariff to 15 per cent?

Mr. DUNNING: Yes, on some kinds of leather.

Mr. BENNETT: Yes. It becomes a new item, then, altogether?

Mr. DUNNING: It is an amendment, and goes back in wording to the existing tariff item.

Mr. BENNETT: Yes, but the horse hide item is the item about which there was much discussion. The hon. gentleman knows that.

Mr. DUNNING: Yes.

Mr. BENNETT: The old rate on it from abroad under the general tariff was 20 per cent, but under the intermediate it is only 7½ per cent.

Mr. DUNNING: Yes.

Mr. BENNETT: That is now going to be doubled.

Mr. DUNNING: On the intermediate.

Mr. BENNETT: Is that quite fair? I put it to the minister in this way: Before the late government went out of office I received many communications about this glove item. It has not been satisfactory in recent years.

Mr. DUNNING: That is right. It has been a mess.

Mr. BENNETT: Yes, and it was proposed to try to have the tariff board straighten it out, but they were busily engaged with other and more important matters and it never went to them. As the item stands now, on this document that is before us, the votes and proceedings, there is no change from our general tariff, but that general tariff was increased only a short time ago—I forget what year it was—to 20 per cent. Horse hide became very important for the manufacture of a particular type of heavy glove in this country. I do not know to what extent it is used, but the representations made to the late government were that it was used not only for making gloves but also for making certain types of garment, to what extent I do not know. As the matter stands now, it is proposed to make the rate for n.o.p. 20 per cent.

Mr. DUNNING: Horse hide is in n.o.p. as the item is printed in the votes and proceedings.

Mr. BENNETT: Yes; that is what I am talking about, as it is printed in the votes and proceedings. Horse hide from the United States would pay 15 per cent, which is 5 per cent less than it paid before, but it is twice what the intermediate rate is, and there are certain countries enjoying favoured nation treatment from Canada that can supply horse hide, but they are some distance away and the transport increases the cost. I submit to the minister, since he is rewriting this item, that 15 per cent is a higher rate than the glove business of the country should stand under the intermediate tariff, in view of the fact that they always found the item to work a great hardship upon them.

Mr. DUNNING: That is, the glove manufacturers?

Mr. BENNETT: Yes; I am talking about them, because this is the raw material of the glove manufacturers. I am dealing now only with the raw material, and our country does not supply sufficient for our requirements.

Mr. DUNNING: Well, very close to it. The importations were very small.

Mr. BENNETT: The reason was that we increased the tariff, according to their contention, too high, thus making the price a prohibitive one when the material was converted into gloves, and they complained very bitterly that they were losing a part of their business because they could no longer continue to manufacture that particular type of glove out of horse hide. That is the reason I say to the minister that I think the rate could easily stand at the intermediate rate that he originally proposed, namely, 7½ per cent for other than n.o.p. items, the same as sheep skins. If I thought we could supply the necessary horse hide I would not raise the question, but in Canada we do not kill horses; we ship them out. I think, if the minister will look into the matter carefully, he will find that in this country the production of horse hide for glove manufactuirng is really negligible.

Mr. DUNNING: Oh, it is definitely growing.

Mr. BENNETT: The point is that we ship the horses out of the country because our people do not take kindly to horse-meat; that is the short way of putting it; there are countries where horse-meat is used, and so has a value; and we have shipped from the country the horses, which of course include the hides, and have to buy back the hides. This is one of the cases in which we have to buy back the raw material for glove manufacturing. In view of the general attitude of the government towards the raw material item, I suggest that this item does not bear close analysis in the light of what has been done with respect to other industries. I think it is only fair to say that the representations made to the late government were that horse hide is produced in only one tannery in this country.

Mr. DUNNING: That is not so now.

Mr. BENNETT: Not so now? Well, if the hon. gentleman will look into the matter he will find that the change has taken place in the last twelve or fifteen months.

Mr. DUNNING: My information is that a number of tanneries which formerly were not engaged in this activity have developed it during the past two years, so much so that, though my right hon. friend may have forgotten it, the glove manufacturers in making their application to the tariff board did so with respect to sheep skin and did not ask for a reduction with respect to horse hide. In going into the matter, I was astonished at this. They made no application for a reduction in duty on horse hide.

Mr. STEVENS: They did not ask for an increase, though.

Mr. DUNNING: They are not getting an increase. Remember their application was with respect to a tariff which was then, with respect to horse hide, twenty per cent under the general tariff, and they did not ask for any reduction with respect to horse hide but

wholly with respect to sheep skin. The importations, of course, are not much of a guide, as the leader of the opposition says, because they apply to a period when the tariff was twenty per cent against the countries from which the horse hide comes. But the importations were very small. The total importation of all these leathers, sheep skins and all the rest, was only $31,500 in the last year of record.

Mr. STEVENS: Would that fact not suggest that the existing rate of 7½ per cent was sufficient?

Mr. BENNETT: That is just what I was going to say.

Mr. DUNNING: If figures mean anything this appears to work in reverse, because I have before me the figures for the first three months of 1936, under the Canada-United States trade agreement, under which the 7½ per cent rate was in effect, and I find that importations amounted to $226 in January, $735 in February, and $364 in March. For one quarter of the year under the new tariff the total imports appear to be $1,325.

Mr. BENNETT: Of course that is not the season.

Mr. DUNNING: No, but I gather that the imports are fairly steady. Be that as it may, it confirms an anomalous situation which appears all through my examination of this question. I have tried to strike as nearly as I could a fair balance, having regard to the fact that the glove manufacturers apparently were satisfied with twenty per cent on leather and did not include horse hides in their application. The examination I have given to the matter mainly centred, of course, round the question of sheep skins, which were the chief item of contention before the tariff board.

Mr. STEVENS: Would the minister object to saying who made the application for an increase in the intermediate tariff?

Mr. DUNNING: Oh, I must have had half a dozen representations, some through members of the house. I cannot recollect the names of the concerns; there is one tanner at Kitchener, another at Cobourg, another at Toronto, and another in Barrie; I have a particular memory of the Barrie one. So many communications come in I do not carry them all in my mind.

Mr. STEVENS: That is good enough.

[Mr. Dunning.]

Mr. DUNNING: There was something from Vancouver, but I do not remember the name of the concern. I tried to settle the question fairly having regard to the representations from all quarters.

Mr. BENNETT: I think that to double the intermediate tariff on this item is not fair. I tried to look up such memoranda as I kept about such matters when communications came before the government. Last August complaint was made about the reduction of duty on gloves and the increased duty on horse hides. It must be remembered that the duty on gloves has been reduced, and with that there was an increase in the cost of the raw material. The glove manufacturers believe that is unfair. I tried to look up the various notes I had made personally; I do not keep systematic notes, but as these various matters came before me I used to try to keep a note of them, and they went to the Department of Finance, and sometimes from there to the tariff board. But I think that to double this intermediate tariff item is not quite fair, notwithstanding what the minister says. As late as last year the horse hide production in this country was limited practically to one tannery. If the minister will be good enough to look the matter up, before these resolutions are presented in a bill, I think he will satisfy himself that the production of domestic horse hides for glove purposes is limited practically to one Canadian concern. That was so last year at any rate, or was so represented to us by those who apparently spoke with a good deal of authority, namely the glove interests of the country, because the item has given everyone a good deal of difficulty. Then the item of these fancy leathers used for women's fancy shoes caused a good deal of difficulty, and the same is true as regards the suede item. Then you get into the heavier class. The calfskins item never caused any trouble, but horse hides have been a constant source of difficulty, arising largely because, on the representations made to us, this commodity is controlled by one crowd who ask just any price they please; they always asked a price which was that at which the commodity could be brought in from abroad with the duty added, the duty from the United States being 20 per cent. Since we have given the intermediate tariff to the United States why should we double the duty on this item?

Mr. DUNNING: The intermediate tariff bore a strange relationship to the general tariff when the one was 7½ per cent and the other jumped to 20 per cent.

Mr. BENNETT: But the reason was obvious; it was to endeavour to secure the tanning of these horse hides in our own country. That was the original purpose. The minister has doubtless received protests. I have received communications, sometimes including copies of letters sent to the minister, objecting to the doubling of this duty—

Mr. DUNNING: From the very people who are also on record as not asking for anything in connection with horse hides when they were subject to a duty of 20 per cent.

Mr. BENNETT: But the difficulty is this: Since the Canada-United States trade agreement was made they were satisfied with the 7½ per cent and did not want any more. Now they ask: Why should the minister double the rate? When the intermediate tariff has been accorded to a country and the granting of that tariff has not greatly interfered with the domestic trade, at least has not interfered to the extent of injuring it, why should we suddenly jump the duty up 100 per cent, when one particular concern is the one greatly affected by it? That is the problem I put to the minister, and if he will look into the matter between now and the time the bill is in committee I think he will find the facts exactly as I have stated. Those were the representations made a year ago, and there is nothing to induce me to believe tanning is going on in Canada to any considerable extent to change the situation, because it happens that the raw material for tanning is not available at many of the spots which have been mentioned.

Mr. STEVENS: I would point out that the item also includes cattle hides and sheep skins.

Mr. BENNETT: That is right, as it is amended.

Mr. STEVENS: It is not only leather made from horse hides but leather made from cattle and sheep skins, so what we are really doing is doubling the duty in the intermediate column on what is distinctly a raw material for a very important manufacturing industry, not only leather gloves but leather clothing. Leather is now largely used for windbreakers in men's coats, which is quite an important article in the colder sections particularly in the west, where men working out in very cold weather commonly wear a leather-lined coat. Leather for all that will now be 15 per cent under the intermediate tariff. This seems to me an extraordinary action. Would the minister object if I asked him to lay on the table the communications from the different manufacturers who asked for the increase?



Mr. DUNNING: I do not think I should do that, with respect to tariff matters.

Mr. STEVENS: Without such information it is a little difficult for one to discuss the item intelligently. One gets a certain amount of information of which one is perhaps not absolutely sure, and while I do not wish to embarrass the minister I do not see why a manufacturing concern asking for an increase of duty should object to the reasons being given, particularly on an item of this kind, which is sweeping in its character.

Mr. MacNICOL: In reference to horse hides, would the increased duty not give a better price to farmers or anybody else selling horse hides?

Mr. DUNNING: I doubt that. It is a matter of opinion at present, but I doubt it.

Mr. MacNICOL: It should give a better price to the farmer.

Mr. BENNETT: I had overlooked the matter of sheep skins, to which the hon. member for Kootenay East directed attention. That is all going to be in the item under discussion?

Mr. DUNNING: Yes.

Mr. BENNETT: No separation.

Mr. DUNNING: No; we have gone back to the old rate, and we went back to it because of representations since received from all quarters.

Mr. BENNETT: Does the new duty not touch the New Zealand situation?

Mr. DUNNING: No.

Mr. BENNETT: Because we made a special arrangement with New Zealand and Australia in regard to sheep skins, if the minister will remember.

Mr. DUNNING: Yes.

Mr. BENNETT: I have not made inquiries to ascertain the effect upon the arrangement with Australia and New Zealand.

Mr. DUNNING: This helps both of them. They would not protest, because it increases their margin.

Mr. BENNETT: What is the duty from Australia and New Zealand?

Mr. DUNNING: It is covered under the ordinary British preferential item.

Mr. BENNETT: The matter was under discussion, I remember, but was it ever consummated.

Mr. DUNNING: No, not on this item.

Mr. BENNETT: My memory was that there was something special about sheep skins. However, I have not the information with me.

Mr. DUNNING: There may have been in connection with sheep skins, but not sheepskin leather.

Mr. STEVENS: Item 599 is the one referring to hides and skins, raw.

Mr. BENNETT: Yes, that is it. All I can say is that in doubling the intermediate rate the minister has gone too far.

Mr. DUNNING: Between now and the time the bill is introduced I shall give the matter further consideration. I must say that although the item is small it has given me more trouble than other items involving twenty times the amount of trade. My first information was, as the right hon. gentleman has said, that only one concern was interested. After that, however, I received representations from others I have mentioned, and some I cannot recollect, to the effect that they were definitely interested.

Mr. BENNETT: I did not say that they could not tan horse hides if they wished, but my information is that there is only one business engaged in that work.

Amendment agreed to.

Item as amended agreed to.

Customs tariff—618a. Comb blanks of hard rubber, not further manufactured than pressed and vulcanized, when imported by manufacturers of hard rubber combs for use exclusively in the manufacture of such hard rubber combs in their own factories: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 10 per cent.

Mr. DUNNING: This item is changed in neither rates nor wording, and is merely transferred from the orders in council section to the list of permanent classifications.

Item agreed to.

Customs tariff—657. Mouthpieces of hard rubber in the rough, aluminum pipe fitments, pipe bowls moulded from briarwood dust, and briarwood bowls not further processed than frazed, when imported by manufacturers of tobacco pipes for use exclusively in the manufacture of such pipes in their own factories: British preferential tariff, free; intermediate tariff, 15 per cent; general tariff, 25 per cent.

Mr. DUNNING: This is a new item, requests for which have been made by a company which purposes manufacturing tobacco pipes in Canada. The enumeration covers component items which cannot be secured in this country. They have been dutiable at higher rates, and it is proposed that the rates be reduced.

Item agreed to.

Customs tariff—657a. Cinematograph or moving picture films, positives, one and one-eighth of an inch in width and over, n.o.p., per linear foot: British preferential tariff, 1½ cents; intermediate tariff, 3 cents; general tariff, 3 cents.

Mr. DUNNING: This is an n.o.p. item.

Mr. BENNETT: What relation has the item to the resolution having to do with the imposition of an additional tax?

Mr. DUNNING: None whatever.

Mr. BENNETT: And there is no change in the rate?

Mr. DUNNING: No.

Item agreed to.

Customs tariff—663c. Soya beans, soya bean oil cake and soya bean oil meal, when imported by manufacturers of animal and poultry feeds or of fertilizers for use exclusively in the manufacture of animal or poultry feeds or fertilizers in their own factories: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: There is an amendment to move, by which we strike out the word "exclusively" in the third line of the item. This is done to simplify administration, as suggested by customs officials.

Mr. ILSLEY: I move:

That the word "exclusively" in the third line of customs tariff item 663c be deleted.

Amendment agreed to.

Mr. BARBER: I notice the word "inedible" in item 663d. I have had communications stating that—

Mr. DUNNING: If it will help the hon. member, may I say that I have an amendment to item 663d which will cover the point he is about to raise.

Mr. BENNETT: I suppose the minister has seen the discussions which have been taking place with respect to soya beans, and the establishment of the industry in Canada.

Mr. DUNNING: Yes.

Mr. BENNETT: There has been a good deal of press discussion. I shall not take time to repeat what I said on the budget, nor shall I outline the hundreds of derivatives produced from soya beans. With the exception of coal tar, I believe there is no other single sub-

stance from which can be produced so many derivatives. I had hoped that that might have had the effect of bringing about the development of the industry to some extent in Canada. The area within which it can be successfully carried on is limited, because of climatic conditions, but of its value there never has been the slightest question. The action of putting it on the free list simply means that we shall not become producers. About ten thousand acres were sown in soya beans in this country.

Mr. DUNNING: And half of that for forage.

Mr. BENNETT: Part of that for ensilage. It is said that it makes excellent food to be placed in silos and is well suited for feeding requirements of milking cows.

Mr. DUNNING: It is rich in proteins.

Mr. BENNETT: Yes. I do not think the government is fair to the Canadian people when it puts soya beans on the free list at a time when an effort is being made successfully to cultivate them. It is clear that they could be cultivated in the whole of the Niagara peninsula. In a small way cultivation is being carried on in the Chatham area, but there has never been that control so essential to success. It would seem quite clear from reports I have seen that soya beans could be produced successfully in the Niagara peninsula. This is equally true of some parts of Quebec—

Mr. DUNNING: Quebec, do you say?

Mr. BENNETT: Yes, so I am told. Before we left office representations were made to us that the people interested were satisfied that soya beans could be produced in those sections, and they were going to do something about it.

Mr. DUNNING: As a food, possibly, but not as a berry.

Mr. BENNETT: Does the minister say that the ripening of the bean would not be possible?

Mr. DUNNING: I think not.

Mr. BENNETT: I am not expressing an opinion on the point. I recall that twenty-five or thirty years ago the statement was made that corn could not be grown in North Dakota, but I have seen the corn belt move steadily northward. The seed has been improved, and the corn has been acclimatized to the territory in question. I have no doubt that soya beans could be grown successfully in the Niagara peninsula of Canada. From the evidence presented to me, that was my conclusion. So far the production has not had an opportunity to pass the experimental stage, but once a grain is found to grow in this northern climate, whether it be wheat or any other agricultural product, usually it is of a high quality. I had hoped we would find an opportunity to replace unsuccessful and unprofitable products with one so widely used, and one which has so many possibilities. However, placing soya beans on the free list will end any advantage that may be gained, and will give a corresponding advantage to our friends to the south.

Mr. DUNNING: Like my right hon. friend, I am more or less a worshipper at the shrine of the soya bean. I regard it as the most remarkable product of the field, and in that statement I do not believe I am going too far. I would point out, however, that the tremendous range of commodities which can be manufactured from the soya bean, contrasted with the very small development of the growing of the mature bean in this country, causes us to weigh the advantage of the possibility of some day growing enough soya beans with the other advantage of making a commodity available to the Canadian people, not only for stock food, but for the hundred or more uses to which the soya bean can be put, in order that Canada may have such advantages as may arise from the use of the byproducts. After all the years in which experimentation has taken place, only ten thousand acres were grown in Canada last year.

Mr. BENNETT: It is only a few years, you know.

Mr. DUNNING: I remember it at least twenty years ago.

Mr. BENNETT: It was only talked about twenty years ago.

Mr. DUNNING: We experimented with it on our experimental farms twenty years ago, right here at the experimental farm at Ottawa.

Mr. BENNETT: In 1916.

Mr. DUNNING: My right hon. friend may remember that the great war brought the soya bean into world prominence about 1916, and in Canada many of its derivatives were developed as a result of intensive research work done in connection with war materials.

Mr. BENNETT: Undoubtedly that is so.

Mr. DUNNING: Still, in spite of the opportunity and the value of the product we were able to get up to only 10,000 acres in the whole of Canada last year, 5,000 acres of

which were grown for feed, and not for the maturing berry because it had not been found possible to mature it. On the other hand, all those engaged in feeding cattle or in the special feeding of any kind of animals require the by-products of the soya bean, and can make good use of them in developing the secondary products of the farm. The uses of it are so very, very wide that we think, on balance, it is better to make available the soya beans to Canadians, and trust to the genius of Canadian farmers and plant breeders to develop a hardy variety suitable for commercial production on our Canadian farms, and we can deal with that question when it arrives. Nothing would please me better than to be faced in this house with the question, generated by the successful commercial production in Canada on Canadian farms of the soya bean.

Mr. ROSS (Moose Jaw): Why develop the industry artificially?

Mr. DUNNING: I am not proposing to develop it artificially. I should like whatever publicity attaches to my remarks to be directed towards encouraging Canadian people and Canadian farmers to investigate this most remarkable plant, and so far as my words have any influence, to stimulate experiment and research on the part of Canadian farmers in connection with the production of the soya bean. But at the present time I think the balance of advantage is distinctly on the side of those who require the use of this product, having regard to the fact that it cannot be grown commercially in Canada. Why, even the United States is not producing more than a small portion of its requirements of soya beans in spite of the fact that it has a much larger area suitable for its production than has Canada.

Mr. MacNICOL: Do soya beans enter the United States free?

Mr. DUNNING: I cannot answer that offhand.

Mr. BARBER: I mentioned the words "inedible" and "edible," because it has come to my attention that bakers in some parts of the country are using a certain amount of soya bean flour, up to ten per cent, to mix with wheat flour, in baking, and in one case, in the baking of Crispy bread the percentage is somewhere round eighteen per cent. I want to point out that this is becoming a competitor with wheat flour and will perhaps affect that very important crop of wheat which we produce in Canada.

Mr. DUNNING: When we pass item 663c I shall move an amendment to item 663d to eliminate the word "inedible."

[Mr. Dunning.]

Mr. WOOD: I should like to make a few comments in connection with the possibilities of the soya bean industry. First of all I would commend the minister for the action he has taken in regard to the tariff on soya beans. Many farmers have endeavoured to produce soya beans on farms in Canada, and in spite of the fact that we have had a tariff as high as fifteen per cent the price of soya beans at the mills is, I believe, only seventy cents, which is a price that really does not compensate the farmer for growing soya beans even in that section of Ontario in which I happen to live. It would be wise, I think, to recommend to the government and the Department of Agriculture to investigate the possibilities of developing a variety of soya bean that would mature earlier. I believe that in the southern portion of Canada at least the soya bean industry could be developed. We know what has taken place in connection with the development of a particular type of wheat, which has pushed the borders of our wheat growing area up into the northern portions of our provinces. I believe that in connection with developing the production of soya beans in Canada we could get a variety that would mature earlier, and then we might develop in this country a new branch of agriculture that might become profitable in itself and at the same time stimulate industry. As has been pointed out by the right hon. leader of the opposition (Mr. Bennett), who made a splendid argument in favour of this particular product, its derivatives can be put to a remarkable number of uses in fabricating accessories for the motor car. Mr. Ford has made an exhaustive survey of the uses of this product, and it is generally conceded that there is a bushel and a half of soya beans in every Ford car. Now, if we can produce our Ford cars in Canada, this might be worth considering.

Mr. BENNETT: Is that bushel and a half for the duco?

Mr. WOOD: Yes, various products, compositions, varnishes and celluloid. The soya bean is also often used in the manufacture of printers' inks, chocolate drinks, and many other things that we use in Canada. Earlier in the session I made a comment on soya beans and spoke largely from my own experience of what has happened amongst farmers I have known who have attempted to raise soya beans. Their efforts in many cases have been disappointing, but if the government would concentrate through the Department of Agriculture on trying to develop a variety

that would grow more successfully in Canada —and I believe they are working to that end now—there would be the possibility of establishing in this country another branch of agriculture that would be very much worth while.

I am led to believe that Germany alone imports about one million tons of soya beans. It is one product of which there has never been overproduction in any of the agricultural countries of the world. The densely populated countries of China and Manchuria, where they use a large portion of their own production of soya beans for feed, are those nations that are also exporting the most soya beans. Even in Great Britain the imports annually amount to 200,000 tons. We import something like 2,500 tons. I am quite sure the minister is following only sound business methods in not trying to penalize through the tariff the people who are using soya beans. If you impose a tariff, I doubt whether it would increase the price, because we already have a substantial duty and the price of soya beans is only seventy cents.

I am almost inclined to accept the view that the growers of soya beans are being exploited. Because of the varied use to which soya beans can be put it seems unfortunate that the price received will not pay the cost of production. No farmer can afford to produce these beans at seventy cents per bushel, considering the amount of work involved in raising them. There are certain sections in western and southwestern Ontario where the land is not too good for general farming purposes, but it would be suitable for the raising of soya beans. The soil is quite light and adapted to this particular crop. I was talking last week to one of my constituents in the township of Burford who told me that he had not attempted to harvest his crop of soya beans because the price which he would receive would be less than the cost of production. The beans have to be dried and sent to the factory in the proper condition. The beans may have been a little late in ripening and perhaps it would be possible to obtain a variety which would ripen earlier. I commend the minister for the stand he has taken in this connection as I believe there is a future for the soya bean. I want to make this comment because earlier in the session I spoke a little adversely of the attempts being made to encourage the growing of soya beans.

Mr. BENNETT: The minister had not spoken then.

Mr. WOOD: I commend anything that is being done in this connection on the experimental farms.

Mr. LOCKHART: We have heard much in this house about the overproduction of wheat and the growing of soya beans seems to offer relief from that overproduction. I should like to direct the attention of the minister to a letter which I received from a business man who travels extensively in the northern part of Manchuria. He had received a copy of the comments which I made in this house in the early part of the session in connection with soya beans and he wrote me to state that there were different varieties of soya beans grown in that part of Manchuria where the climate is similar to that in western Canada. He felt that these varieties of soya beans could be grown in western Canada and in the province of Ontario. It seems to me that this is one of the greatest fields of investigation which could be undertaken by the Department of Agriculture in an effort to relieve overproduction in connection with other grains.

Mr. DUNNING: I shall be glad to direct the attention of the Minister of Agriculture (Mr. Gardiner) to the remarks of my hon. friend. I know, as possibly other members of the committee know, that at our experimental farms all across Canada, and especially those in the west, experiments are being made in soya bean production. Seed has been brought from the regions to which he refers, but anything which will help to carry along this work is worth pressing to the limit.

Mr. STEWART: Does the minister not think taking off the duty will be inclined to discourage the growing of soya beans?

Mr. DUNNING: It will not make any difference and we are not taking the duty off.

Mr. STEWART: You took it off under the Canada-United States agreement.

Mr. DUNNING: It never was on.

Mr. STEWART: You bound it to be free for three years.

Mr. BENNETT: There was a duty.

Mr. STEWART: No matter what the experiments are, the government has tied its hands not to put on a duty for three years.

Mr. DUNNING: On the beans, yes.

Mr. STEWART: That does not offer very much in the way of encouragement to undertake production during that time. What is

the use of experimenting if our farmers are not going to be able to produce? What is the use of experimenting if they are going to have to compete with countries which can produce under more favourable conditions? It seems to me that agricultural production is the one branch of production with which the minister ought to be particularly concerned. We are told that good soya beans can be grown in Ontario and other parts of Canada.

Mr. DUNNING: And that is a reason for putting on a duty?

Mr. STEWART: This is a new industry as far as Canada is concerned, and I submit that that is when protection is needed, not when the industry is established. Protection should be given in the early stages when endeavours are being made to produce in commercial quantities. The tying of the hands of the government not to put on a duty for three years practically paralyzes any experimentation along these lines.

Mr. DUNNING: Soya beans have been free for many years and there is no suggestion on the part of anyone as to what tariff would be adequate to promote commercial production in Canada. The items with which we are dealing cover soya bean products and the encouragement of the use of soya bean products in this country will benefit one thousand times more farmers than could be benefited by any duty on soya beans. I think my thousand is a very limited estimate. Experiments are being carried on at practically every experimental farm, and I believe at most agricultural colleges, and we are encouraging the use of soya bean products in Canada. My hon. friend says that we have agreed to allow soya beans to come in free from the United States for three years, but that is a short time in plant hybridization and the accustoming of plants to our Canadian environment. There are a number of subsidiary industries based upon the soya bean which have been helped by the free importation of the bean. This bean cannot be obtained in this country in commercial quantities at all; it cannot be obtained even in experimental quantities. I think the course taken is a sound one, having regard to the experience of the past.

Mr. STEWART: I am afraid it is not likely to be.

Mr. BENNETT: I am afraid I must join issue with the Minister of Finance. He said that a thousand farmers would benefit to one—

Mr. DUNNING: A thousand to one, as compared with putting a duty on the beans.

[Mr. Stewart.]

Mr. BENNETT: Does he not realize that he is displacing grain products with soya beans imported from another country? He is displacing grain products used in the finishing of cattle.

Mr. DUNNING: What grain products?

Mr. BENNETT: Barley, for one. I listened with great care to the discussion which took place in this house a few years ago when it was suggested that we should do something to encourage the greater use of barley in Ontario, in view of the distressed economic conditions facing the barley producers because of difficulty in finding a market for their product. It was suggested that barley, as well as oats and wheat of certain grades should be used for finishing purposes. All these are used for the very purpose for which we are now going to introduce these commodities from other countries for our assistance. The duty that was imposed in times past on this oil meal and soya bean flour was 15 per cent, 25 per cent, and 25 per cent. They are now to be free. Item 663d refers to soya bean oil meal and soya bean flour, inedible, when imported by manufacturers of glues or adhesives for use exclusively in the manufacture of such glues or adhesives in their own factories, and this is all free. The item above that is with respect to animal feeds and fertilizers, and fertilizers paid a duty. Certain others were free. I put this question to the minister, first with respect to the last item. We are displacing the commodities that have heretofore been used in the production of glues, with an imported commodity called soya bean oil meal. Now the glue industry in Canada has been a substantial one and it has done a considerable export business with—I am speaking again from memory—Great Britain, notably. We are now to use an article imported from some other country for that purpose instead of using our own animal product for the production of glue. In the second place, for finishing purposes, we are told that this is a thousand to one shot in favour of the farmer because we have displaced his barley, wheat, oats and, in some cases, corn and substituted therefor an imported commodity called soya bean oil.

Mr. DUNNING: My right hon. friend has not been so unfair this afternoon.

Mr. BENNETT: That is not unfair; it is absolutely the fact. If soya bean meal is used for finishing purposes on the farm, where heretofore it has not been used—

Mr. DUNNING: That is the point.

Mr. BENNETT: Yes, and the hon. gentleman said that it would be a thousand to one in favour of the farmer.

Mr. DUNNING: Comparing the maintenance of the present position of the article—free—with putting a duty on it.

Mr. BENNETT: I am pointing out that the very moment, by increasing importations, you substitute some other feed for the feeds now used, that very moment you lessen the consumption of the Canadian grain product; that is all. I have listened many times in this house to the case made in connection with this question, and notably the strong demand from western Canada with respect to barley. Take, for instance, any kind of feed, such as fox food, which the hon. gentleman regarded as important; but perhaps I should not deal with that; the item has already carried. I say, however, that to the extent you replace grain, whether barley, wheat, oats, rye or corn, which is used for feeding purposes on the farm, with an imported product, whether soya bean meal or Indian corn from some other country, to that extent you lessen the possibility of the Canadian farmer being able to continue making a profit on his farming.

Mr. DUNNING: I defer to my right hon. friend's legal opinion at any time—

Mr. BENNETT: Not any opinion of mine on farming.

Mr. DUNNING: —but having had some experience in feeding stock, I beg to differ with him on the practical question of feeding and to tell him that if to-day I were finishing fat stock and were at the same time growing wheat, oats, barley and the other normal cereal products of the west, for results in the form of beef attained quickly I should want to inject if I could some soya bean element into the feed which I was giving the stock. And I should not think I was doing myself any harm as a grower of wheat, oats, barley and flax because I had sense enough to inject a quantity of another element, which I could not grow on my farm, for the purpose of producing far quicker results in the form of beef. That is a matter of practical feeding.

Mr. WOOD: The remarks of the leader of the opposition have been quite interesting to me. I appreciate his legal qualifications and his ability to argue and to make a speech. But I do not consider him an authority on feeding cattle. The point which the minister mentioned is a very important one; there is such a thing as a balanced ration. We have had considerable experience in Ontario in connection with the barley propaganda and I will tell the committee frankly what my views are on this question. When I get into conversation with any of my neighbours over the barnyard fence and am told that the government is recommending that the farmers go into hog production or barley production or some other line, I generally reply that if there is propaganda to encourage a particular form of production the farmers will be well advised to turn round and go the other way. That has been my experience. When the government tries to force production along any particular line, the general result is overproduction with consequent chaos in the industry. When you feed cattle you want more than barley and oats. As the Minister of Finance has said, if you are to be a successful stockman you must balance your ration with proteins. I am quite satisfied that the government is adopting the right course, because this by-product of soya beans is very valuable, containing about forty-four per cent protein, whereas oil-cake meal, which is a byproduct of flaxseed, has a protein element of thirty-five per cent, and the very best product of cottonseed meal contains about forty per cent. In proportion to value as a feed, soya beans at the present market price are by all means the cheapest product, so that if you increase the price to one class of farmer you are penalizing another group of farmers. We are not asking for protection for soya beans or anything else. In this dominion we have cheap lands and we have a resourceful people sprung from the old pioneer stock, people who know how to do things. We believe that the principle of merit should be recognized in society, whether in politics or in any other calling; and if we can convince industry that it is in the best interests not only of the consuming public at large but of industry itself to market reasonable products and not to inflict high prices on the public, then we shall have progress and a condition of affairs which will make for a more equal distribution of the wealth of the country and the satisfaction of life. I commend the minister for the way in which he is trying to pilot this legislation through. We as farmers are not asking for any particular privilege; all we want is a square deal. We say: Get off our backs and we will raise soya beans or wheat or anything else without protection. But we cannot continue to carry on our backs the load of exotic industry and our own load as well.

Mr. MacNICOL: Does the hon. gentleman object to western farmers receiving a bonus on wheat?

Mr. WOOD: Let me be frank with the hon. gentleman; he has asked a plain question and I will give a plain answer. I absolutely refuse

to bonus anybody. If you go into any particular kind of business and you cannot carry that business on, for heaven's sake get out of it and let somebody into it that will. That is my point.

Mr. DUNNING: Before this discussion gets general, may I suggest that it is soya beans we are now dealing with?

Mr. BENNETT: I am greatly indebted to the hon. member for Brant (Mr. Wood) for his appreciation of my knowledge of law and my ignorance of other matters, but no man who practises law successfully—I do not say I have done so—can remain ignorant of many, many things. He would be a very poor lawyer if, living in western Canada, he did not know anything about feeding, and he would be a poorer one if he did not know of the protein content of cottonseed meal and of cotton cake and various other protein products that are used in feeding cattle.

An hon. MEMBER: Not many lawyers know that.

Mr. BENNETT: Oh, yes, all the lawyers in this house from western Canada know that, as does the odd one from this part of the country. Knowing that, I want to put this single question to the hon. gentleman. The city of Brantford is near the constituency he represents, or it is a part of his constituency.

Mr. MacNICOL: And let the workingmen there have a chance to live.

Mr. BENNETT: The market it has afforded to the farmers of Brant county is known to every man who has studied anything of the economic history of this country. The same holds good of other counties. The hon. gentleman has now told the committee that all that is wanted is just a chance to sell products on merit and merit only. One of the occasions on which my hon. friend the Minister of Finance had to take a position that was to some extent at variance with that point of view was in connection with the New Zealand treaty, in respect of butter. I judge from what the hon. gentleman has said that no duty on eggs is necessary and that the duty on butter is something which the farmers of this country deeply resent. I trust the Minister of Finance will remember that the hon. member for Brant, speaking as a typical Ontario farmer, regards it as highly improvident and improper to maintain a duty on butter or eggs or potatoes or garden truck or farm products of any kind; all that is wanted is a chance to grow and sell them to the workingmen of Brantford and other communities adjacent thereto, communities that would not exist if what he regards as this wrong principle of giving some little assistance to industry, because of conditions in Canada to which reference has so frequently been made, were not followed. Those who say that the farmer does not derive any benefit from the tariffs of this country fly in the face of the known evidence that has been produced times without number. This is not the case, of course, when you deal with the vast wheat fields of the western plains, but when you deal with the situation in eastern Canada, whether it be with regard to the softer wheats produced in Ontario, or the products of the farm and the garden which find a ready market in the nearby great cities and among the workingmen who congregate there, it is evident that the tariff has had such a stabilizing effect upon the east that the farmers of the west have been crying aloud to have a market at home like that; if they only had such a market how much better off they would be, how well-to-do they would be.



Mr. DUNNING: Soya beans. May I respectfully suggest soya beans?

Mr. BENNETT: As far as the soya bean item is concerned, to the extent to which it is used it will displace some commodity which otherwise might be used in the same manner. But the soya bean protein content could not be called upon to take the place of ensilage corn, because on the analyses the products proved to be entirely different. We were not asking that at the moment a duty be placed on the soya bean. What we were pointing out was that the hon. gentleman himself made light of this matter until he heard the minister take a serious attitude, and now the minister is a broadminded statesman. The hon. member for Brant is the same hon. gentleman who, a few weeks ago, when the budget was on, said that soya beans were something about which the less said the better.

Mr. DUNNING: Not on the budget, the Canada-United States agreement.

Mr. BENNETT: Pardon me, my hon. friend is right; on the Canada-United States agreement. If the hon. member for Brant reads his remarks on that occasion and compares them with his observations this afternoon after the minister had spoken, he will realize how, in the words of Burke, "leaders of light and leading have been able to induce their followers to follow their lead." That, of course, is something very much to be desired; it is favourable to solidarity and helpful to discipline, which is always desirable.

Mr. DUNNING: The right hon. gentleman will recall, I think, that the hon. member spoke after me on a former occasion and did not agree with me then.

Mr. BENNETT: The hon. minister had not widened his vision on that occasion to the extent he has done to-day; he was in charge of that Canada-United States agreement to hardly the same extent that he is in charge of this measure, and that broad vision which has manifested itself this afternoon to the hon. member for Brant had not then become apparent. He was merely dealing with the matter in a narrower sense. Now, with a broader view and a wider vision, the hon. member for Brant is persuaded that the course suggested by the Minister of Finance is the right one, and I congratulate him upon such an admirable evidence of discipline, so good for the solidarity of his party.

Mr. WOOD: I recommend that same broad vision to the leader of the opposition himself.

Mr. BENNETT: I have great hope that if the hon. gentleman lives long enough and follows public discussions closely enough he will adopt many of the suggestions that have been made from this side this afternoon.

Item as amended agreed to.

Customs tariff—663d. Soya bean oil meal and soya bean flour, inedible, when imported by manufacturers of glues or adhesives for use exclusively in the manufacture of such glues or adhesives, in their own factories: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: I think, Mr. Chairman, you have the amendment, which is to strike out the word "inedible."

The CHAIRMAN: I have not received the amendment.

Mr. BENNETT: So you strike out the word "exclusively" in both 663c and 663d?

Mr. DUNNING: No, not in the second one. It is stricken out in 663c but not in 663d; and "inedible" is stricken out in 663d.

Mr. BENNETT: Is it not as difficult to administer in one case as in the other? That is the reason I asked.

Mr. DUNNING: No. Glue and mucilage, you see.

Mr. BENNETT: One is glue and mucilage and the other is not.

Mr. STIRLING: The removal of the word "inedible" hardly meets the contention raised by the hon. member for Fraser Valley (Mr. Barber), does it?

Mr. DUNNING: No, it does not, because the use of soya beans and soya bean products for human food and so forth is and always has been dutiable under the tariff. It is only for such special purposes as this that it has ever been free.

Amendment agreed to.

Item as amended agreed to.

Mr. DUNNING: I move that the committee rise, report progress and ask leave to sit again. If it is thought desirable we may take up the harbours board bill after recess.

Mr. BENNETT: Do you want to sit again this day?

Mr. DUNNING: This day, yes. I move accordingly.

Progress reported.

At six o'clock the house took recess.

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## After Recess

The house resumed at eight o'clock.

## NATIONAL HARBOURS BOARD

### PROVISION FOR ADMINISTRATION AND CONTROL OF PUBLIC HARBOURS

The house resumed, from Wednesday, May 20, consideration in committee of Bill No. 17, respecting the national harbours board.—Mr. Howe.—Mr. Sanderson in the chair.

On section 37—Amalgamation.

Mr. CAHAN: Mr. Chairman, when the committee had this bill under consideration on Wednesday last the amendment which I then moved to section 37 was held over for further consideration. That amendment reads as follows:

That section 37 of the bill be amended by adding the following subsections:

(3) That the board shall become and be liable to be sued in tort, and that in the case of any such suit in tort, the same procedure shall apply as that which regulates the conduct of similar cases between subjects, including such matters as discovery, the receiving and paying of costs by the board, and the like.

(4) Service upon the board of any writ or process may be effected by personal service upon an officer or employee of the board at any of the harbours over which the board has jurisdiction.

I call the attention of the committee to the fact that this bill by section 3, subsection 3, provides that:

(3) The board shall have the capacity to contract and to sue and be sued in the name of the board.

But there is no express provision that the board may be sued in tort. Therefore a claimant who suffers damage from wrongful acts of the board, its officials or employees, is left in doubt as to whether he shall proceed by action against the board or by petition of right against the crown. On the second reading of the bill I suggested that such doubts should be removed, and in the committee I moved the amendment which I have just read, for the purpose of removing those doubts.

It is established by many judicial decisions which are binding upon the courts of this country that an action in tort does not lie against the crown, except under special statutory authority. In the memorandum prepared by the Deputy Minister of Justice, dated April 27, which the minister laid upon the table of the house at my request, I find that the deputy minister reports as follows:

In the debate on the second reading I notice that Mr. Cahan raised the question as to whether or not this harbour board as an agent of the crown would be liable in case of tort. As to this I may say that a servant or agent of the crown cannot be sued in tort with or without incorporation for a limited purpose if he is merely given the capacity to sue and be sued. In other words, such a provision does not give a right of action against the servant or agent of the crown for any act done by him as such servant or agent.

Then, after reciting certain decisions, the deputy minister proceeds:

The decisive question in all these cases is whether under the terms of the legislation the relationship of principal and agent or of master and servant exists as between the crown and the corporate body concerned, and it is necessary in this connection to inquire whether the purposes for which the corporate body has been created are such as are required and created by the government of the country and, therefore, are to be deemed part of the use and service of the crown.

But no doubt is left in this bill as to the relationship of this harbours board with the crown, inasmuch as section 3, subsection 2, provides that:

(2) The board shall be a body corporate and politic and be and be deemed to be, for all the purposes of this act, the agent of His Majesty the King in his right of the Dominion of Canada.

And by section 10, subsection 2, it is provided that all property acquired or held by the board shall be vested in His Majesty in his right of the Dominion of Canada.

I think it is clear, therefore, that this national harbours board is not liable to any action in tort, such as for negligence, nuisance and the like, except possibly on a petition of right under the very much restricted provision of section 19(c) of the Exchequer Court Act.



In recent years we have made progress in this respect. A few years ago it was asserted that the king could do no wrong, and without limitation or restriction no action in tort could be brought against the crown, because of the royal prerogative. But in connection with the government railways, which then did not comprise the Canadian National Railways, in 1910, by chapter 26 of the statutes of that year, a limited right of action was given against the government railways, but the amount of the claim was limited to $200.

In 1913, by chapter 20, section 1, of the statutes of that year, parliament gave a limited right of action against the government railways, claims being limited to $500, and the same provision appears now as part of chapter 173 of the revised statutes, the act relating to government railways. Section 86 of that statute reads:

86. Subject as hereinafter provided, any claim against His Majesty arising out of the operation of the government railways, and not exceeding in amount the sum of $500, for damages alleged to be caused by negligence, or made payable by statute, may be sued for and prosecuted by action, suit or other proceeding in any provincial court having jurisdiction to the said amount over like claims between subjects.

(2) Any such action, suit or other proceeding may be commenced and prosecuted to judgment in the same manner and subject to the same rules of practice and procedure and to the same right of appeal as nearly as may be as in like cases between subjects.

(3) The said court shall have the same jurisdiction to order or adjudge the payment of costs either by plaintiff or defendant as in like cases in the said court between subjects.

Later there was a decision, The King v. Armstrong, reported in 40 S.C.R. 229, decided in 1908. An action arose to recover damages from the crown in consequence of a broken switch at a siding on the Intercolonial railway. Action was brought by the widow of the deceased, and in that case a decision was given for the claimant. But among those practising the legal profession in the dominion considerable doubt arose as to the application of that judgment, and so in the year 1910 the Exchequer Court Act was amended by a statute enacted as chapter 19 of the statutes of 1910, to include within the jurisdiction of the Exchequer Court of Canada the following:

19. (f) Every claim against the crown arising out of any death or injury or loss to the person or to property caused by the negligence of any officer or servant of the crown while acting within the scope of his duties or employment upon, in or about the construction, maintenance or operation of the Intercolonial railway or the Prince Edward Island railway.

This clause extended the jurisdiction of the Exchequer Court of Canada; so that since 1910 action lies for damages for death, injury or loss to personal property arising out of a negligence of any officer or servant of the crown, while acting within the scope of his duties in connection with the management and operation of the Intercolonial railway. This clause creates a right of action against the crown, and is unlimited as to the amount of claim.

We find that the term "Intercolonial railway" is defined by chapter 173 of the revised statutes as follows:

83. All railways, and all branches and extensions thereof, and ferries in connection therewith, vested in His Majesty, under the control and management of the minister—

And the minister is defined as the Minister of Railways and Canals—

—and situated in the provinces of Quebec, Nova Scotia and New Brunswick, are hereby declared to constitute and form the Intercolonial railway.

Therefore actions for damages of the nature and kind I have mentioned may be brought in request of the Intercolonial railway, and the claims may be unrestricted as to amount.

Of course, this extends the Exchequer Court Act. In the discussion Wednesday last I had in mind the difficulties which have arisen in relation to the railway known as the harbour board railway, operated by the harbour board of the city of Montreal. It is clearly not a part of the Intercolonial railway, under the terms of the section I have read, and therefore in cases of negligence in the operation of that road which give rise to actions for damages they may not be brought under the provision of section 19 of chapter 34, which I have read. Moreover, the railways included in the Intercolonial railway are those which are under the management of the Minister of Railways, and the harbour board railway does not come under his administration.

Then, again, a discussion arose with regard to the Canadian National Railways. At the time I had not my notes in hand, and therefore I was unable to do more than to say that the various railways held by the Canadian National Railways, by reason of the Canadian National Railways holding the stock of those roads, are subject to actions under contract or in tort, or otherwise, exactly the same as the Canadian Pacific Railway is subject to such actions.

If hon. members will look at the Canadian National Railways Act, chapter 172 of the Revised Statutes of Canada, first enacted as Chapter 13 of the statutes for 1919, they will find section 12 providing that the name Canadian National Railways may apply:—

As a collective or descriptive designation of all lines of railway or railway works under its control, without, however, affecting the rights or liabilities of any of the respective corporations, including His Majesty, for any of their respective acts or admissions.

This clearly creates the inference that while some of those constituent railways were brought under the Canadian National Railways by reason of the Canadian National Railways holding the stock of the constituent or subsidiary company, nevertheless each of those companies was liable as theretofore for all actions in contract or in tort, as in the case of the Canadian Pacific Railway.

Section 33 of the same act provides that,—

Actions, suits or other proceedings by or against the company in respect of its undertaking or in respect of the operation or management of the Canadian government railways may, in the name of the company, without a fiat, be brought in and may be heard by any judge or judges of any court of competent jurisdiction in Canada, with the same right of appeal as may be had from a judge sitting in court under the rules of court applicable thereto.

2. Any defence available to the respective corporations, including His Majesty, in respect of whose undertaking the cause of action arose shall be available to the company.

3. Any court having under the statutes or laws relating thereto jurisdiction to deal with any cause of action, suit or other proceeding, when arising between private parties shall, with respect to any similar cause of action, suit or other proceeding by or against the company, be a court of competent jurisdiction under the provisions of this section.

In respect, therefore, of the companies constituting the Canadian National Railways, which appear in the schedule to the Canadian National Railway Act, the prerogative of the crown is no defence in actions for tort. This refers to the thirty-one railways enumerated in the schedule to that act. Therefore it is hardly a conclusive argument to suggest that what we are asking in the amendment is special and unprecedented legislation dealing with one branch only of government properties, namely the harbours board as it will be constituted under the bill now before the committee.

The provision respecting the Canadian National Railways which I have just read clearly discloses that all the constituent members now operated by the Canadian National Railways, except the three railways, if my memory serves me correctly, namely the Transcontinental, the Intercolonial and the Prince Edward Island line, are all liable to actions in tort in exactly the same manner as is the Cana-

dian Pacific Railway. That is so by reason of what I might call a special enactment of the parliament of Canada. I suggest, therefore, that it is only equitable and just that parliament, in reconstituting the seven harbour boards under one act the declaring that the new board, the consolidated board I may call it, shall be empowered to make contracts and to sue and to be sued, should go further and declare that this great public utility, which is now being consolidated, should be liable to actions in tort in exactly the same manner, to the same extent, and before the same provincial courts of competent jurisdiction, as the Canadian Pacific Railway is liable, as all companies owning and operating docks in the various harbours of Canada are liable, and as all railways which are specially incorporated and operated under the general Railway Act of Canada are at present liable. It was with this in view that, upon consultation with the right hon. leader of the opposition (Mr. Bennett), I moved this amendment, which I think is worthy of all consideration, and which might properly be dealt with in this act because it is an act relating to all these harbours in just the same way and to the same extent as the Canadian National Railway Act deals with a large number of companies, now between thirty and forty in number, which are constituted as parts of the Canadian National Railways.

Mr. LAPOINTE (Quebec East): Although I am free to admit that I have a good deal of sympathy with most of the views expressed by my hon. friend (Mr. Cahan), I will give one or two reasons why I have to join with my hon. friend the Minister of Railways (Mr. Howe) in opposing this amendment.

The special way of dealing with the crown as a litigant has come to us through many centuries, and is based upon the theory, first, that the king is not responsible for his negligence nor for the negligence of his officers or agents, and, second, that the king cannot be brought against his will before his own courts except through special statutory provision.

My hon. friend has fully and ably presented the arguments which are usually set forth on behalf of those who think that the crown should be held responsible in tort as are ordinary citizens. He has quoted the remarks of Mr. Justice Davis, then on the bench of Ontario, now a justice of the Supreme Court of Canada, in which Mr. Justice Davis said that he had to apply the doctrine as it is, though he expressed the view that it should be repealed and that the crown should be considered just like any other litigant with regard to torts as well as with respect to contracts which the crown may have entered into with its subjects.

Sir Lyman Duff, Chief Justice of Canada, expressed the same view quite recently in the case of Dubois v. the King. In the case of the Temiskaming and Northern Ontario Railway Company an automobile had been destroyed by a train of the railway company, and although the courts of first instance had assessed the damages against the company, which is the crown, really, in the right of the province of Ontario, that decision was reversed on appeal because of no responsibility attaching to the crown.

I must, however, call the attention of the committee to the fact that if the accident had taken place on the public property of the Dominion of Canada, if it had been caused by the negligence of one of the servants or officers of the crown on a dominion public work, the victim or his representatives would have had a claim against the crown under the Exchequer Court Act, section 19(c), to which my hon. friend has referred. That section gives jurisdiction to the exchequer court to hear and determine every claim against the crown arising out of any death or injury to the person or to property resulting from the negligence of any officer or servant of the crown while acting within the scope of his duties or employment upon any public work.

Mr. CAHAN: That action in the case of a government railway such as the Intercolonial would properly have come under section 19(f), would it not?

Mr. LAPOINTE (Quebec East): Yes. There is a special provision for the Intercolonial railway and the Prince Edward Island railway, which applies now to the Transcontinental as well, but I mean any public work of any kind.

Mr. CAHAN: I do not like to interrupt the hon. gentleman, but I say that very great difficulties have arisen with regard to the meaning and application of "public work."

Mr. LAPOINTE (Quebec East): Yes, I know that.

Mr. CAHAN: So that at the present time it is very difficult for a lawyer to advise what is a public work within paragraph (c) of section 19, to which the hon. gentleman has referred, and that was one of the points I was very anxious to clear up.

Mr. LAPOINTE (Quebec East): So far as I can remember, Mr. Justice Duff and Mr.

Justice Mignault in a certain case—I cannot recall the name at the moment—decided that the definition of "public work" as it is given in the Expropriation Act—

Mr. CAHAN: And Public Works Act.

Mr. LAPOINTE (Quebec East): —should be applied.

Mr. CAHAN: The Supreme Court of Canada with another personnel decided just the contrary.

Mr. LAPOINTE (Quebec East): That is what we call the glorious uncertainty of the law. The interpretation of "public works" in the Interpretation Act will be very broad and will include harbours, ports and all public properties which would be under this bill.

In England, as well as here in Canada, eminent authorities have shared the views of my hon. friend and of the right hon. leader of the opposition (Mr. Bennett) in thinking that there should be a change, more particularly because of the wide scope which government activities have taken during the last few years. Governments are undertaking all sorts of works which formerly were confined to private activity, and the old maxim makes the claims of injured parties more difficult of presentation. While the authorities agreed that some action should be taken, they found also that it is very hard to obtain agreement as to how this should be done. In 1921, Lord Birkenhead, then Lord Chancellor, appointed a committee to study this question. This committee was quite representative, its membership including Lord Hewart, Lord Chief Justice of England, as chairman; Lord Hanworth, Master of the Rolls; Mr. Justice Rowlatt; Mr. Justice Hill; the then Attorney General, Sir Douglas Hogg, now Lord Hailsham; the Solicitor General, Sir Thomas Inskip, who has since been given a very high position in the government of Great Britain; Sir Patrick Hastings; the Right Honourable Sir Leslie Scott, and many other very eminent legal gentlemen. In order to show just how important this matter was considered to be, I should like to read from a letter sent by Sir Claud Schuster, Permanent Secretary to the Lord Chancellor, to the Attorney General, dated November 16, 1921. He first stated that the Lord Chancellor was glad to learn that the Solicitor General and the Attorney General concurred in the view that a change should be effected in the position of the crown as litigant and then he went on to say:

> So great a change, however, would require very careful consideration and many points of detail would arise, upon which reservations and limitations would be required. Further the change would affect different departments in different ways, and would render it necessary in some cases to substitute an alternative machinery for that which was abandoned.
>
> The Lord Chancellor thinks that any such bill as is contemplated could only be prepared under the supervision of a body of persons experienced in the subject matter, who would have the opportunity of hearing and considering any representation which those principally affected by the change might desire to put forward.

In 1924, Lord Haldane, who succeeded Lord Buckmaster as Lord Chancellor, wrote the committee stating that everybody was in favour of the change and that all that was required from them was merely the drafting of a bill which would be acceptable and which would surround the change to be made with all necessary safeguards and precautions. This bill was drafted and I have a copy in my hand. It is quite long, consisting of thirty-one sections which cover thirty-two pages. The mere reading of it shows how tremendously important this change was considered to be by the legal authorities in Great Britain. I should like to call the attention of my hon. friend to the change he suggests in his amendment. The subject is liable for discovery and must disclose or produce all documents in his possession relating to the matters of the suit. The same rules would be made to apply to the crown itself, except that the crown would have the right to refuse to divulge documents on the ground that it would be contrary to public interest. This matter was fully considered by the committee in England and they drafted section 20, which is divided into four subsections. Perhaps I had better read this section in order to show that the same precautions would have to be taken in anything we do, even with regard to litigation concerning harbour properties or concerning anything relating to the boards. This section reads:

> Nothing in the provisions of this act shall operate to impose on any officer of the crown any obligation in the case of any crown proceedings to make discovery of documents on oath, but provision may be made by rules of court for authorizing the court to make orders requiring the crown, subject to the provisions of this section, to make and deliver to the other party to the proceedings, by such officer of the crown as the court may by the order direct, a list in the prescribed form of such documents, not being documents the existence of which it would be contrary to the public interest to disclose, relating to the matters in question as are or have been in the possession, custody or power of the crown.

That is only one of the subsections. The other subsections prevent the filing or even communicating of documents which it would

be against the public interest to disclose. Oral evidence is covered by this subsection:

Subject to the provisions of this section, a person who is required by an order made in any crown proceedings to answer interrogatories on behalf of the crown shall not be bound to answer any question if objection is taken in the affidavit made in answer to the interrogatories that it would be injurious to the public interest that the question should be answered.

It has always been the prerogative of the crown not to be compelled to disclose or divulge documents which it is against the public interest to disclose or divulge. Under the amendment of my hon. friend all this would disappear and everything would have to be made public. Might I refer to some other precautions which I think it would be well to take in any measure that would do away with the prerogative. For instance:

(a) Where in any proceedings against the crown any such relief is sought as might in proceedings between subjects be granted by way of injunction or specific performance, the court shall not grant an injunction or make an order for specific performance, but may in lieu thereof make an order declaratory of the rights of the parties;

I believe that an injunction against the crown in a matter of public interest would be a dangerous thing. In a bill of this kind it would be necessary, I think, specifically to repeal the prerogative of the crown. I do not think we could do so without mentioning it, and that is what was done in the draft bill in England:

The provisions of this part of this act shall have full effect notwithstanding any right, privilege, or prerogative of the crown, rule of law, or enactment to the contrary, which existed or was in force immediately before the commencement of this act.

There are special provisions for execution of judgments and costs against the crown, or received by the crown, which also seem to require special consideration in any amendment of this kind.

There is another feature to which I would call attention, and it is this: If we took this action only in connection with this particular legislation, it would be doing something which would be discriminatory in its effect. In this bill we establish an agency to administer seven harbours in Canada; but there are many more harbours, and if my hon. friend's amendment were adopted, the rights of someone who might be injured on harbour property at Montreal or Halifax would be different from the rights of a person injured on public property in connection with the harbour at Churchill, for instance, or Port Colborne, or Fort William, and many other places. So that this would establish a difference in treatment in connection with the various harbours in Canada.



Again, if my hon. friend's amendment were adopted, the crown would be sued in accordance with the ordinary procedure and before any court. I am not quite sure whether it would not be better if we did away, as I think we should, with the petition of right, fiat and all the special formalities surrounding litigation against the crown. I am not clear, however, whether we should not retain the exchequer court as the tribunal where all these actions for or against the crown should be instituted and heard. I am not sure that it would be a good thing that many of these cases should be heard by juries, as they would be, instead of by the exchequer court, where long jurisprudence guides the judges; and it would certainly make for greater uniformity in the law and the jurisprudence if these actions continued to be heard in the exchequer court.

There is another feature of the amendment to which I would direct attention, though it is one that might be easily changed. My hon. friend, in his amendment, proposes that:

Service upon the board of any writ or process may be effected by personal service upon an officer or employee of the board at any of the harbours over which the board has jurisdiction.

Possibly it would not be desirable, in important actions, if the writ or process were held to have been regularly served in the event of copies having been left in the hands of a doorkeeper or of a watchman at the gate of one of the harbour properties.

Mr. CAHAN: I might have made it more definite had I known what officers you were likely to appoint at the ports.

Mr. LAPOINTE (Quebec East): As I say, that is something which might be easily adjusted. My hon. friend from Winnipeg North Centre is not present or he would say that the suggestion I am going to make is a typically Liberal suggestion, but this is, as I think I have shown, a momentous change. If we make it let us do it well. If they have taken the trouble in England to appoint a committee of the best legal men there, who have taken years to report and to draft a bill, a bill which is not even now on the statute books of Great Britain, I think this would be a queer way of changing what has been not only a tradition but the practice of centuries, without looking at every phase of the matter and surrounding the change with all the guarantees and means of protection which might be necessary.

Of course, I am going to vote against my hon. friend's amendment, though with some diffidence, because as I have said I believe that the method is an antiquated one and should be changed, but it should be changed all along the line and not only with respect to a particular part of the public property of Canada. I may say on behalf of my department and, I believe, of the government that before next session we shall prepare a bill which will cover not only the harbours but all public property. We shall try to meet the wishes of my hon. friend, and we believe it would be better to enact general legislation doing away with the petition of right, and doing so with respect to all claims for torts and injuries against the crown in future.

The CHAIRMAN: The amendment has not yet been read.

Mr. CAHAN: It was read in the house on Wednesday and debated.

The CHAIRMAN: It has not yet been read by the chair. It is moved by Mr. Cahan:

That section 37 of the bill be amended by adding the following subsections:

(3) That the board shall become and be liable to be sued in tort, and that in the case of any such suit in tort, the same procedure shall apply as that which regulates the conduct of similar cases between subjects, including such matters as discovery, the receiving and paying of costs by the board, and the like.

(4) Service upon the board of any writ or process may be effected by personal service upon an officer or employee of the board at any of the harbours over which the board has jurisdiction.

Mr. CAHAN: There is very little I can add to what I have already said. The Minister of Justice has suggested that there should be a general revision of the law dealing with petitions of right, so as to enable claimants in tort to litigate their rights as against the crown in respect of all activities of all departments of government. I am pleased indeed to learn that the government will undertake the consideration of such a general provision as that, but the very sweeping nature of the provision suggested seems to indicate that it will be years before such a measure is likely to be formulated.

Mr. LAPOINTE (Quebec East): Oh, no.

Mr. CAHAN: In the meantime I would be quite content with some form of amendment such as is made in the Canadian National Railways act, which I read, which provides that actions, suits and other proceedings may be brought against any constituent members of the Canadian National Railways. That as drafted deals with particular activities and is expressed in a very few sentences. I may say that the draft which I made and proposed as an amendment on this occasion was taken by me almost in toto, if I remember, from a lecture or other dissertation given not long ago by Lord Hewart, who was a member of the committee to which the hon, Minister of Justice has referred. We cannot, however, obtain uniformity in such matters, because in respect of actions for tort the law is not the same in the various provinces of Canada. For instance, as the hon. Minister of Justice will recognize, the law respecting common employment and acts of negligence arising out of common employment is different in Quebec from what it is in the other provinces of Canada, although the right hon. leader of the opposition suggested to me the other day that in one of the western provinces they had adopted a law similar to the civil code of Quebec. We cannot expect uniformity in such proceedings, but I suggest that, as we have proceeded in the case of the Intercolonial railway and the Prince Edward Island railway, as we have proceeded in connection with the Canadian National Railways, we could with clear justification adopt an amendment to this bill which is confined in its application tc the National Harbours board as created by this bill. There is grave necessity for such an amendment. I know that it is difficult to rely upon memory after years have elapsed, but there was a time, five or six years ago, when my mind was quite clear in respect to causes of action arising against such a board as the Montreal harbour board. But I think I am right in saying that after this bill is passed any practising lawyer in the province of Quebec will have very considerable difficulty at times in determining whether the right of action exists against the harbour board, or whether the action should be by petition of right, and when counsel comes to consider the question as to whether there is a petition of right in respect of the negligence or nuisance, he will find it very difficult indeed to determine whether, under the restrictive provision of section 19, of chapter 34, revised statutes, clause (e), a right of action exists. I say that without attempting to labour the question.

Mr. LAPOINTE (Quebec East): Has my hon. friend considered 19(c)? I admit that under (f) that will apply only to the railways, but (c) concerns any public work.

Mr. CAHAN: It is (e), is it not? I am referring to (e) of the original act.

Mr. LAPOINTE (Quebec East): Yes, I know, but (c) would cover it.

Mr. CAHAN: Would you please read (c)? Section 19(c) provides that the exchequer court shall have exclusive and original juris-

diction to hear and determine the following matters:

(c) every claim against the crown arising out of any death or injury to the person or to property resulting from the negligence of any officer or servant of the crown while acting within the scope of his duties or employment upon any public work.

Mr. LAPOINTE (Quebec East): That is right. That is (c) now.

Mr. CAHAN: This is what I took, section 19 (c) of chapter 34 of the revised statute. I was mistaken in referring to it as (e), but I accept the correction, of course. I think very great difficulty arises under that clause, as in order to ascertain what is any public work and what is employment upon a public work we have had the Supreme Court of Canada on one occasion declaring that a public work was a work defined as a public work by the Public Works act or by the Expropriation act, and then we had a different personnel of the Supreme Court of Canada declaring that the definitions of the Expropriation act and of the Public Works act were not sufficient to define with accuracy what is a public work. Then we have again this case arising: At first there was a suggestion that an accident occurring on the Intercolonial was under certain conditions an accident occurring on a public work, that is, that the Intercolonial railway was a public work, and the supreme court decided accordingly, but that decision gave rise to so many protests that the parliament of Canada was asked by the Department of Justice in 1910—I think that was when the hon. gentleman was Minister of Justice—

Mr. LAPOINTE (Quebec East): No.

Mr. CAHAN: No? The parliament of Canada was asked—

Mr. BENNETT: That was in consequence of the Armstrong case.

Mr. CAHAN: Quite so, but there was so much protest against the Armstrong decision that parliament was asked to make a special enactment with regard to the Intercolonial railway and the Prince Edward Island railway. Parliament having made a special enactment with regard to the Intercolonial railway and the Prince Edward Island railway, which are government railways, it left a clear presumption that in clause (c), to which the hon. gentleman refers, the term "public work" did not apply to railways. After that date, while I was practising law, I do not think there was a lawyer in Montreal who was giving attention to those matters who would give a firm opinion that negligence on the harbour railway was negligence upon a public work within the meaning of clause (c). There are very grave difficulties about the matter, I suggest, and there is no reason in the world why every labourer or other person crossing this railway, if he suffers injury from negligence, should be placed in a position where it is very doubtful whether he has a cause of action or not. It is to remove that doubt and confusion that I am suggesting this amendment. If there is to be a general revision I trust it will take place soon, but I cannot see why we should to-day wait upon a general revision any more than in 1910 we declined to wait for a general revision, or in 1919 in connection with the Canadian National Railways, or any more than we declined to wait on several other occasions for a general revision of the Petition of Right Act and of the statutory jurisdiction of the exchequer court.

Mr. FINN: I regret exceedingly that I was not in the committee when the hon. member for St. Lawrence-St. George (Mr. Cahan) proposed his amendment. I have not a copy of the amendment before me, and it seems impossible to get it. For that, of course, the hon. gentleman is not to blame. The port of Halifax is involved in the question raised by my hon. friend. I was not quite able to catch his meaning in his general statement in connection with rights of action, whether or not they would lie without obtaining a fiat by bringing an action against the railway as a public work or by bringing an action as you would against an individual, by simply issuing a writ and serving it. As it seems to be the only way I can find out, I would like to ask the hon. member just what that point is, not to raise any objection or criticism but just in order to be informed. I regret that I was ill and not in the committee the other day when the hon. gentleman brought the matter up.

Mr. CAHAN: The amendment which I proposed and the explanation of it will be found on page 3001 of Hansard.

Mr. FINN: I do not have Hansard before me. I came down to this seat where I am now in order to be able to hear the hon. gentleman.

Mr. CAHAN: I think the issue is clearly stated in the memorandum prepared by the Deputy Minister of Justice and laid upon the table of the house, namely that while this bill states in express terms that the harbours board may make contracts and may sue and be sued, that provision does not permit of the

harbours board being sued in tort, as, for instance, for nuisance or negligence. It was with a view to having that clarified, and to make it clear that the board can be sued in tort, although it is declared by the bill to be the agent of the crown, that this amendment was suggested.

Mr. FINN: May I ask, is it only in reference to actions in tort? My hon. friend admits that action is possible by fiat being granted by the attorney general or the Minister of Justice at the present time?

Mr. CAHAN: I think it is a matter of grave doubt. It will depend upon the nature and locus of the negligence complained of.

Mr. FINN: That could be defined only in the statement of claim.

Mr. CAHAN: If the hon. gentleman will read the opinion of the Deputy Minister of Justice to which I referred it will be quite clear to his mind, if he accepts the statement of the deputy minister, which I think may be accepted without doubt, that under this bill no action in tort can be brought against the harbours board. I was suggesting that provision should be made that such action could be brought. In other words, no such action will now lie against the board.

Mr. FINN: Taking for granted that no action will lie, I accept that although I have not read the opinion of the deputy minister; I believe his judgment is superior to mine. Unfortunately I have devoted more time to politics than to law, and therefore I am not as good a lawyer as I might have been. But I would like to ask my hon. friend: If the statement he makes is correct that there is doubt as to the right of bringing action for a wrong, which is a tort, does it not lie within the jurisdiction of the Minister of Justice or Attorney General of Canada to grant a fiat to permit a writ to issue for that purpose?

Mr. CAHAN: Unless there is a clear statutory provision authorizing such a claim by petition of right it is not within the discretion of the Minister of Justice or of the governor in council to grant a fiat on such a petition. There must be statutory authority somewhere.

Mr. BENNETT: The Minister of Justice I think overlooks the fact that in England they have no exchequer court. We have an exchequer court in Canada and my colleague has pointed out that special legislation has been enacted conferring jurisdiction upon that court to deal with certain claims which may arise against the Canadian National Railways. Now, is that not the very sort of thing which should be done with respect to actions in tort against this board? It would seem to me by analogy that is the very thing which should be done. The reason the English draft bill was so long was because it had to provide an entirely new code of procedure for dealing with actions against the crown. Such procedure has not heretofore been provided since the abolition of the old court of exchequer chamber. The proceedings contemplated under our Exchequer Court Act in actions brought in that court against the Canadian National Railways are not actions triable by a jury, but actions that are tried in consequence of the power being conferred upon that court to consider them. And as that court has its own rules and regulations it is not necessary to have a long bill concerning the procedure in that court.

I am not going over the ground that I went over the other evening when I gave an illustration in which I referred to a man working on a dock, and crossing over to a railway. In one case there was liability, and in the other there was not. There was action against the shipping company but no action against the operators of the railway. But I just put this case to you, Mr. Chairman, and then I shall have concluded all I have to say:

1. We have created a corporation for the purpose of dealing with the harbours. Nominally that corporation would be liable to action, because it is one of the implied powers of a corporation to sue and be sued. That is a statutory provision.

2. However we have said that that corporation is the agent of the crown, and as a consequence of that declaration the deputy minister has given the opinion that no action for tort would lie against the board.

3. We having deprived the board of the ordinary implied powers of a corporation, by reason of declaring it to be an agent of the crown, it would be nothing more than right or proper that the law, in view of all the minister has said, should confer jurisdiction upon our exchequer court, to determine actions regarding persons or property to the same extent, in the same way, by the same form of procedure and in the same limitations as parliament, in consequence of the Armstrong case, conferred upon the exchequer court by statute in 1910. That is all I desire to say.

I can readily understand the minister not desiring to enact a general law at this time in view of the fact that if he does so he has to make a choice between conferring an open power upon the exchequer court over existing rules and regulations covering procedure, and following the British proposal and by a legislative act which confers the jurisdiction to

sue for tort also providing the method of procedure which shall be followed in enforcing the right. I can also understand the minister's hesitancy in singling out this particular class of case, to the exclusion of others. But that unwillingness or doubt is answered by the fact that in 1910 a former government enacted the section to which reference has been made, in consequence of the Armstrong case. Parliament having thus conferred jurisdiction upon the exchequer court—not an ordinary court as was at first suggested, but the exchequer court—it would be a reasonable and proper thing to say that for actions of tort this corporation, which we have deprived of the obligation incident to action being brought against it, could be sued just as we have declared that the Canadian National Railways could be sued.

My hon. friend and colleague fully appreciates the difficulty, but there is not the slightest difficulty in the suggestion as he put it to-night. I will put it in this way: A corporation deprived of the obligation of being sued, because it is made an agent of the crown by the statute creating it, should not be placed in a position where it is not liable for negligence in connection with a railway, when the liability attaches to those who operate the very facilities that now are under the control of the corporation only perhaps a few feet away. I think, instead of our waiting for a general law, this might be a proper case in which to exercise our jurisdiction as we did in 1910 in the railway case, and it would be a step forward in creating an obligation that is co-extensive with a right. That is, if we have limited the power of this corporation, as we have done, then let us at least say that by so doing, having conferred extraordinary rights upon it with respect to taxation and matters of that kind, we are not going to put the unfortunate person injured by the operation of the railway, or a workman injured by the operation of the property, in a position different from the one he would be in if he worked for another corporation which was not an agent of the crown and had not these limitations imposed upon it. If the government has made up its mind that the legislation should not be enacted, then of course it is idle further to waste time in discussion. But at least it is our duty to place our position on record as concisely as possible.

Mr. LAPOINTE (Quebec East): I am grateful to my right hon. friend for his remarks, because they will help when we are to arrive at a decision upon what course is to be followed in connection with general legislation concerning the matter. But I am afraid the course suggested does not lessen the present difficulty. My right hon. friend seems to be of opinion that all these actions should be kept before the exchequer court.



Mr. BENNETT: I said that could be done.

Mr. LAPOINTE (Quebec East): Yes. If they are retained there, then the only thing that will remain is the petition of right, because at the present time there is no doubt—and in this I differ from the hon. member for St. Lawrence-St. George—that the recourse exists under section 19 of the Exchequer Court Act. I admit that there has been for a time a difference of opinion among members of the judiciary, but the decisions of 1934 and 1935 are to the effect that public works are broad enough to include what my hon. friend has in mind, and that the definition of the Expropriation Act should be accepted.

With regard to the Canadian National Railways my hon. friends say: Well, the Canadian National Railways can be sued before all courts. Yes, but the exception was made and kept with regard to those sections of the railway which were the property of the people of Canada, when the absorption or amalgamation was brought about.

Mr. CAHAN: They are all the property of Canada, but three of them are vested in His Majesty.

Mr. LAPOINTE (Quebec East): Yes; but my hon. friend knows, too, that when the Grand Trunk became the property of Canada through special legislation it was private property at the time and it was thought better to leave to that company the law under which it had operated before. But care was taken not to include the Intercolonial railway and the Prince Edward Island railway, railways which had always been the public property of Canada, and even now, except in connection with the small claims to which the hon. member referred, one has to apply for a petition of right. So I believe the whole matter will have to be considered as a whole, and revised. I repeat that so far as I am concerned I share the view that this procedure should be changed. There is not the same reason to-day as existed in former days for the retention of this special procedure with regard to crown litigation.

Mr. BENNETT: The crown was not engaged in business then.

Mr. LAPOINTE (Quebec East): It may have been to a very limited extent, but not to the extent it is to-day—for good or for bad, I do not know. However I think we might very well wait for the special legislation.

Mr. FINN: It seems to me that in connection with legislation placed before the house there should be some clear understanding as to the rights of individuals in actions of tort, or in other actions. I never could see clearly, and I cannot see clearly to-day, why the crown should stand in any different position from that of an individual in reference to an action for tort. An individual is less able than the crown to stand any damages, and I think the crown should stand the gaff just the same as the individual.

So far as the Intercolonial railway is concerned, there is not that broad and generous construction given it that should be given under section 145 of the British North America Act. That railway was gobbled up by legislation which was brought down, not by hon. gentlemen at present opposite nor by the present right hon. the leader of the opposition, but by their party under Sir Robert Laird Borden, for whom I have a great respect. He brought down the railway act of Canada of 1919, which came into effect in so far as the Intercolonial railway was concerned. Under that legislation it was provided that the moment the Grand Trunk became part of the Canadian National railway system the Intercolonial railway should become part of that system and subject to the railway commission.

So to-day there is a multiplicity of reasons why in any legislation that passes through this house with reference to the national harbours of Canada, or the Canadian National Railways, or any other property of the crown, there should be clarity so that there would not be the necessity of appealing to the courts from time to time, giving members of my own profession exorbitant fees at the expense of the public and in many instances at the expense of the government itself which after all falls heavily upon the people of this country. Speaking as perhaps a junior senior member of the profession, though not perhaps as a junior member of this house, I think that in enacting this legislation to-day, in view of what has been stated, and I think correctly, by the right hon. the leader of the opposition (Mr. Bennett), and by the former Secretary of State, the hon. member for St. Lawrence-St. George (Mr. Cahan), we should know what we are doing and have it expressed in unmistakable legal phraseology,—I am sorry he does not represent a Nova Scotia seat for then he would be nearer to the hearts of the people of that province, just as my right hon. friend the leader of the opposition would be nearer the hearts of the people of the province in which he was born if he represented a New Brunswick constituency—

Mr. BENNETT: Hope yet.

Mr. FINN: Well, hope deferred is never lost. I hope my right hon. friend has not any misgivings that he may not be able to represent again the constituency he now represents, but if it is a case of the wanderer's return we shall be only too pleased to see him come down to the maritime provinces.

Mr. LAPOINTE (Quebec East): Including Halifax.

Mr. FINN: Including Halifax.

The CHAIRMAN: Order.

Mr. FINN: Mr. Chairman, I do not know whether your remark is addressed to myself or to the Minister of Justice.

The CHAIRMAN: It is addressed to the hon. member for Halifax.

Mr. FINN: I feel highly honoured. As I said, Mr. Chairman, there does not seem to be any clarity with regard to this legislation or with regard to your ruling. This bill respecting the national harbours has been brought down by the Minister of Marine, who is soon, under other legislation, to become Minister of Transport. He is not a member of the legal profession, but we have had the opinion of the Deputy Minister of Justice and of the right hon. leader of the opposition, who has referred to the Armstrong case. I do not know whether he meant the Armstrong defeat in Nova Scotia in 1925, or the Armstrong case in which a judgment was handed down either by the Supreme Court of Canada or by the Exchequer Court, and by the way it seems to me that all cases which other courts do not desire to handle are passed on to the exchequer court as a sort of left-handed compliment. I do not expect that the Minister of Marine should be able to answer legal questions because he is not a lawyer, although if he was one I am sure he would be a good one because he is a good engineer; but before we pass this bill and send it up to the other chamber, where there is astuteness, I think we should at least know what we are doing and where we are going, so that when they come and knock at the door we may know what they are going to say to us when they come in.

Hon. C. D. HOWE (Minister of Marine): Might I say just one word of reassurance from a layman to the other laymen of the committee? I am reasonably sure of this, because I got a report on it from an officer of the Department of Justice. The legal position of Montreal harbour and of every other harbour under this legislation will be exactly what it was, is now and has been ever since the harbour boards were created.

Mr. CAHAN: That is not so. In reply to that I would refer to the act relating to the harbour commissioners of Montreal, chapter 48 of the statutes of 1894 which, by section 21, subsection 4, provides:

> The corporation may institute and defend all suits, actions and proceedings in any court of justice in respect of the said property and the land comprised within the harbour as fully as can be done by proprietors holding lands by valid title, or as might be done by or on behalf of Her Majesty in respect of the bed or beach of the river St. Lawrence.

That is an entirely different position from anything contained in the present bill.

The CHAIRMAN: Shall section 37 pass?

Mr. FINN: Mr. Chairman—

The CHAIRMAN: Order.

Mr. FINN: I would like to ask the chairman of the committee in what way I am out of order. I would like to know the reason.

The CHAIRMAN: The hon. member is not out of order providing he confines his remarks to section 37.

Mr. FINN: I had not started to say anything before I was called to order. If I am to observe the rules of the house, the rules of the house should be properly interpreted. When the Minister of Marine speaks as one layman to another, he is not speaking to hon. gentlemen who are of the legal profession. But this is a legal question. If it were a medical matter that was before the house we should look to members of the medical profession for guidance, and in legal maters we should look to the legal profession. When this question is raised by the former Secretary of State (Mr. Cahan) and by such an astute lawyer as the right hon. leader of the opposition (Mr. Bennett), I think it is worthy of consideration on the part of the government and on the part of the Minister of Justice (Mr. Lapointe). I understand I am confined by the ruling of the chairman to the discussion of section 37, and I want to say that it seems to me that the further we get into this, the more confused we are. Whether the confusion comes from the chair or from the floor, I do not know, but I think we should have an opinion from the Minister of Justice.

Mr. LAPOINTE (Quebec East): I have given it twice.

Mr. FINN: All I can say is that we get one opinion from one court, and another opinion from another court, and that is why there is so much litigation in Canada and other countries. That is why in the United States the NRA is higher than the American flag ever flew. We should deal with these actualities from a legal standpoint and suggestions of a reasonable kind at least should be looked into and the bill held up in order that an intelligent interpretation may be made of the clauses and a further opinion obtained from the Deputy Minister of Justice, but whether that would be worth while I am not at the moment in a position to say. I have not had an opportunity of reading the other opinion, nor have I had an opportunity of seeing the amendment moved by the hon. member for St. Lawrence-St. George. I want to say—and I say it quite kindly—that there must be some sort of understanding in this house between hon. gentlemen. A few moments ago I was not permitted to see the amendment moved by the hon. member. When I sent a message to the Chairman I was told I could see it if I went up to the table. I do not think any hon. member should be placed in that position.

The CHAIRMAN: The hon. member for Halifax is entirely out of order. I read the amendment from the chair.

Mr. FINN: I could not hear it.

The CHAIRMAN: Is the committee ready for the question? The question is on the amendment.

Amendment (Mr. Cahan) negatived.

Section 37 agreed to.

On section 16, subsection 4—Vessel may be sold.

Mr. CAHAN: Last Wednesday I directed attention to this subsection and the hon. gentleman said that he would take into consideration the suggestion I made in connection therewith. This subsection reads:

> Such vessel may be seized and sold under any writ or warrant of execution or of distress issued by any court of record upon the judgment or conviction at the suit of the board against the vessel, the master, owner or person in charge thereof.

My suggestion was that the words "court of record" should be changed to "court of competent jurisdiction." The tariff board is a court of record, but we would hardly expect such process to issue out of that board. There are so many courts of record that I think this subsection should be restricted in some way.

Mr. LAPOINTE (Quebec East): There is no objection to that. I move that the words "of record" in subsection 4, of section 16 be struck out and replaced by the words "of competent jurisdiction."

Amendment agreed to.

Subsection as amended agreed to.

Section as amended agreed to.

Bill reported.

Hon. C. D. HOWE (Minister of Marine): With the unanimous consent of the house, I would move that the bill be now read a third time. The other chamber is anxious to receive this bill.

Mr. R. E. FINN (Halifax): Mr. Speaker, before this motion carries I should like to say that because of illness I was unable to be in the house when this bill was last being considered. I got out of a sick bed to come to the house the other afternoon when the bill was to be considered and I was informed on arrival that it was going to stand over for a fortnight. Only late this afternoon I learned that it was to come up to-night. The other day the Minister of National Defence (Mr. Mackenzie) moved an amendment which I read in Hansard, and my hon. colleague, who is not in the house—

Mr. BENNETT: Yes, he is here.

Mr. ISNOR: Yes, I am here.

Mr. FINN: Well, all I can say is that two minds think alike. I can see that my right hon. friend is pleased that my colleague is here, and I am also pleased, but I would say to my hon. colleague that I had no knowledge that he was going away. So far as I am concerned it is immaterial to me whether he goes or stays.

Mr. SPEAKER: I do not think the hon. gentleman's remarks are relevant.

Mr. FINN: Of course, one may digress for a moment, but what I was going to say was that my colleague moved or suggested an amendment the other afternoon. It was the afternoon I came into the house in order that I might have an opportunity if necessary to support him in that amendment. But as I had already pointed out on a previous occasion, the amendment he then proposed would possibly conflict with sections that were already in the transcontinental act, and it might be well therefore not to proceed with it. I had not had, nor have I had an opportunity to consult with him or to discuss with him the subject matter of that amendment; all I know is that it was unceremoniously rejected. My colleague and I represent a constituency which is affected by this bill now before the house, for Halifax is one of the great eastern gateways of Canada. We should, therefore, be negligent in our duty if we did not see to it that the interests of these ports are protected with respect to the movement of traffic over Canadian territory and over Canadian lines to Canadian ports.

As regards the amendment that was moved by the Minister of National Defence, I read it in Hansard; in fact, I am under the impression that there were two. I am not quite sure just what was meant by these amendments, or whether they were in substitution for the amendment proposed by my colleague from Halifax, or whether they dealt with the same subject matter. The amendment which my colleague proposed was offered for the purpose of clarity and to protect the interests of our eastern ports, as I believe the Minister of National Defence would wish to see them protected, as well as the western ports of this great dominion. Before the motion for a third reading is put, I should like, with the permission of the chair, to ask the Minister of National Defence what was the purport and meaning of the amendments that were submitted by him to the committee.

Mr. W. A. WALSH (Mount Royal): When this measure was first introduced, if I remember correctly, I commended the Minister of Marine (Mr. Howe), though the commendation was to some extent qualified. It is not my intention at this time to make a speech on the bill, but before the bill finally passed the house I wanted to crystallize a few thoughts that were in my mind.

There is one point I wanted to emphasize and it is this: I can read in this measure a certain degree of assurance that the new commission which is to be appointed is to be a body of civil servants or a body created from members of the present civil service. I do not think that is a commendable action as far as the government is concerned, and I want to voice my opinion against that action. I also wanted to take exception to section 3 whereby these members are to be appointed by the governor in council and shall hold

office during good behaviour for ten years. It was my intention at one stage, as the Minister of Marine knows, to move an amendment which would provide that we strike out, in the fifth line of that section, all the words after "governor in council" down to the end, and substitute therefor the words "who shall hold office during pleasure." I do not see why in a bill of this sort three men should be appointed for a definite period of time instead of a commission being created to hold office during pleasure. The Minister of Marine is not at all certain even in his own mind that the three men whom he might select for this commission are going to be—

Mr. HOWE: On a point of order, how does the hon. gentleman know what is in my mind?

Mr. WALSH: I put it in this way: It is quite possible for even the Minister of Marine to make a wrong selection in connection with appointments to this commission: These men, it is assumed, are appointed for a period of ten years. During that time a new government might come into power to whom these men would not be acceptable: then we should have to put through this house a measure to get rid of them. We have the same difficulty at the present time in connection with the board of trustees for our railways. They were appointed for a definite period, and probably the Minister of Railways wishes at this time that that had not been done. In Hansard of 1931 is shown the attitude that was then taken on this matter by no less a person than the present Prime Minister (Mr. Mackenzie King). In no uncertain terms he condemned the appointment of the commissioners for a fixed period of time. I shall not read his speech, which was at great length and may be found on page 2704 of Hansard, of June 16, 1931. He condemned most heartily appointments of this sort to a commission similar to this one, and yet we have the government which is now led by him bringing in legislation of the same kind. I cannot understand such action. I am very much opposed to any body of men being appointed by this house as commissioners for a period of ten years, binding the appointments on the present government and on future governments which may hold office during that period.

Mr. DUNNING: This is a new light, surely.

Mr. BENNETT: That is the present Prime Minister.

Mr. WALSH: I am referring to remarks which were made in this house in 1931 by the present leader of the government, when he took the same exception to similar appointments that I am taking to the appointment which is going through the house to-night. This emphasizes how the complexion of things changes according to the side of the house on which one finds oneself. If, as I hope, I may have the good fortune some day to be sitting on the right of the Speaker, I hope I shall not turn about face upon a matter of this kind.

I desire also to refer to a certain omission from the bill. We have heard it suggested, I believe by the minister himself, that it was his idea to have appointed, under the control of the commission, port managers. There is no mention of that in this bill. I contend that in a measure so vastly important to certain sections of Canada, particularly to the district I happen to represent, when a change of this sort is to be brought about, when port managers are to be appointed, there should be embodied in the bill some reference to such appointments and a clear definition of the duties of the appointees. I do not find any reference to this in the bill, and it follows that no duties are clearly or specifically defined. I do not know whether it was a point that was overlooked by the Minister of Marine, or whether it was deliberately omitted from the bill with some particular or peculiar motive in mind. I am not prepared to fathom the depths of wisdom that underlie the bill itself, but on this matter I feel that the house is entitled to have included in the bill something which will guarantee the integrity of our ports more surely than they are guaranteed by the measure that is now about to be passed.

I am a little concerned about the ultimate future of the port of Montreal. I feel that there are certain omissions from the bill and certain features of it that ultimately will jeopardize that port. I am sorry that there are not more members for the Montreal district present in the house. I should like to have heard their expressions of opinion as to whether they consider the bill in its present form quite satisfactory and not endangering in any way the future of our great national port. If Montreal is in danger—and I feel that it is being endangered by this bill—our national life is also to some extent affected. If the power and authority to control the ports of Canada were being placed in the hands of an independent commission, I would say that possibly that was a step worthy of some consideration. The bill does not do that. It pretends to do it, but in reality the power is centralized under the authority of one individual, and I for one do not want to entrust the future of the port of Montreal to even the present Minister of Marine, for whom I have the greatest esteem. I do not

think any one man, particularly a man so actively engaged in politics, should be vested with control of such vital interests as the national ports of Canada, and I refer particularly to the district of Montreal. To my mind the appointment of these three commissioners, presumably three civil servants, and the putting into their hands of certain authority, simply means that it will be impossible for them to act without having consulted with and received the approval of the minister. Then there is no mention in the bill of a port manager. He might be a mere puppet; he might be a glorified office boy; he might be anything at all.

There is nothing in this bill that either suggests or assures to me as a member from Montreal that the port is going to be satisfactorily managed under the conditions set up by the bill. I hope that when it is returned to this house we shall find some amendments have been added which will definitely provide for a port manager and clearly define his duties, rights and privileges. I hope also that this bill, before it comes back to this house, will be so amended that the power now placed in the hands of the Minister of Marine will be vested in some other authority. I should like to see this bill further amended so that the commissioners who are to be appointed will not be three men taken from the present civil service of Canada, but will be men of independent thought who have not been, as yet, members of the civil service.

I express these views before the bill receives its third reading in order to place myself on record as being unalterably opposed to certain features of it, and for the definite reason that it jeopardizes the prosperity and possibly the very existence of the port in which I am vitally interested, namely the port of Montreal, as well as the other national ports of Canada.

Motion agreed to and bill read the third time and passed.

## WAYS AND MEANS

### CUSTOMS TARIFF AMENDMENT

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

Customs tariff—663e. Sea-weeds or sea-plants, charred, whether powdered or not, for use exclusively in the feeding of animals: British preferential tariff, free; intermediate tariff, 25 per cent; general tariff, 25 per cent.

Mr. BENNETT: What is that about?

Mr. DUNNING: It is powdered kelp used for stock feeds, and the British government is interested in a concession on that item for Great Britain.

Mr. BENNETT: Northern Scotland.

Mr. DUNNING: Yes.

Item agreed to.

Customs tariff—695. Paintings in oil or water colours and pastels, valued at less than $20 each, n.o.p.: British preferential tariff, 15 per cent; intermediate tariff, 2½ per cent; general tariff, 25 per cent.

Mr. DUNNING: Just "n.o.p." added.

Item agreed to.

Customs tariff—695b. Hand-made drawings, sketches or designs, but not including patterns, viz.:—drawings, sketches or designs of wearing apparel, including boots and shoes, wall or floor coverings and textile fabrics, when imported in single copies of each such drawing, sketch or design for use in the manufacture of wearing apparel, boots or shoes, textile fabrics, wall or floor coverings, or of patterns: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Item agreed to.

Customs tariff—696a. Educational moving picture films of all widths, silent or sound, positive or negative, and sound discs or records designed for use with such films, when certified by the minister as entitled to exemption from customs duty under the convention for facilitating the international circulation of films of an educational character; subject to such regulations as the minister may prescribe: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. DUNNING: This is requested by the Department of External Affairs in order to bring Canadian customs practice into line with the provisions of the convention facilitating the international circulation of films of an educational character.

Item agreed to.

Customs tariff—698. All articles specially designed for the use of the blind, whether for educational, recreational, industrial, personal or other purposes, when for blind persons and imported by, or on the order or certificate of, the Canadian National Institute for the Blind, or other bona fide institution or association for the blind: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. BENNETT: There is no change in this item, is there? It has always been free.

Mr. DUNNING: It is an entirely new item. Certain articles have always been entitled to free entry, and this is bringing all such articles into one item.

Item agreed to.

Customs tariff—703. (a) Travellers' baggage, under regulations prescribed by the minister: British preferential tariff, free; intermediate tariff, free; general tariff, free.

(b) Goods valued at not more than $100 included in the baggage accompanying residents of Canada returning from abroad after an absence from Canada of not less than forty-eight hours and acquired by them for personal or household use or as souvenirs or gifts, but not bought on commission or as an accommodation for other persons or for sale, under regulations prescribed by the minister: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Provided that a resident of Canada shall not be entitled to the exemption herein granted within a period of four months from the date of the last exemption allowed, nor shall the exemption be allowed on alcoholic beverages in excess of one quart, or on tobacco in excess of fifty cigars, two hundred cigarettes and two pounds of manufactured tobacco.

Mr. DUNNING: There is no change in (a), but we should discuss (b) which is the $100 matter.

Mr. MALLETTE: I should like to suggest to the minister that he direct his department, before the next session of this honourable house, to make an investigation for the purpose of finding out whether it would not be possible to extend the scope of that arrangement. As it is now Canadian tourists returning from abroad, so long as they have been away forty-eight hours, are permitted to bring into Canada duty free certain goods to the amount of $100. Besides those, quite a number of tourists leave Canada for less than forty-eight hours, for instance, people who go to the United States for an afternoon. They do not go very often, but certainly their number is greater than that of tourists who cross the Atlantic, or who go to the United States for a fortnight to enjoy the sea breezes at Atlantic resorts. These are poor people who journey for a day to the United States, and it seems to me that perhaps they should be given a little consideration, say in the next budget. I do not say that they should get the $100 exemption. but perhaps they might get a certain allowance. I understand, of course, that might lead to certain difficulties in the border cities, but at the same time the poorer class of tourists who go across for an afternoon or perhaps twenty-four hours should be given a little consideration.

Mr. DUNNING: In connection with an item of this kind the government will, of necessity, watch its operation with great care during the first year. I gather that my hon. friend is suggesting such a course with a view to considering any possible change which experience might dictate at the next session of parliament. I assure him that preparations are being made to watch very carefully the working of this arrangement.

Mr. WHITE: I would like to ask the minister why it is that this exemption is being proposed. Has it any relation to the recent trade agreement with the United States?

Mr. DUNNING: Oh, yes.

Mr. WHITE: Because the minister knows that American tourists in Canada or elsewhere have enjoyed for a great number of years, for several decades, the privilege of importing free articles purchased abroad. Was this item put in by the government on its own initiative, or is it related to the trade agreement with the United States?

Mr. DUNNING: My hon. friend will perhaps remember that at the time of the negotiation of the Canada-United States trade agreement there was a supplementary note from the Canadian government to the American government, one of the undertakings of which note was that such legislation as is now before the committee would be introduced. My hon. friend is quite correct when he says that American tourists returning from abroad have had this privilege for some time, under fairly strict regulations, and there is overwhelming evidence that the ability to sell to American tourists visiting Canada $100 worth of goods which could be taken back free of duty has been of great advantage to Canada. Canada is anxious that that privilege to returning American tourists should be continued, and undoubtedly its prospects of continuance are improved by the fact that we are acting in a similar manner in regard to Canadian tourists visiting the United States.

Mr. BENNETT: This is not quite the same.

Mr. DUNNING: No, it is not quite the same as the American regulation.

Mr. MacNICOL: The wording of paragraph (b) is not like the regulations pertaining to Americans returning to the United States. This paragraph says, "acquired by them for personal or household use." The American regulations as I read them do not include articles for household use.

Mr. DUNNING: I have the wording of the American regulation.

Mr. MacNICOL: I have it before me. Section 39 provides that:

No exemption is allowed in any case unless the articles claimed to be exempt were purchased or otherwise acquired merely as an incident of the trip.

Certainly household goods would not be an incident of the trip. I made a bit of a survey among Canadian merchants and manufacturers as to their opinion in reference to item 703.

Mr. DUNNING: I am afraid the hon. member is not reading the substantive part of the American regulation. It is as follows:

Provided further that up to but not exceeding $100 in value of articles acquired abroad by such residents of the United States for personal or household use or as souvenirs or curios, but not bought on commission or intended for sale shall be admitted free of duty;

Provided further that residents of the United States shall not take advantage of the exemption herein granted within a period of thirty days from the last exemption claimed.

That is the substantive portion of the present United States regulation in that regard.

Mr. MacNICOL: I had not read the next regulation; the minister is correct.

Mr. BENNETT: They may do this eleven times a year.

Mr. MacNICOL: Is there any regulation in the United States act for a forty-eight hour period?

Mr. DUNNING: No.

Mr. MacNICOL: Their act provides for a thirty day trip, one trip within thirty days.

Mr. DUNNING: Yes, and ours is one every four months.

Mr. MacNICOL: I think that is an improvement on their act. If a motorist brought back a motor radio in his car, would it be considered as household effects, and would he be permitted to bring it in?

Mr. ILSLEY: If it were included in the baggage of a returning Canadian tourist, and if it were for personal or household use, or a souvenir or gift.

Mr. MacNICOL: Then the returning motorist may bring back a radio in his car. Two radio manufacturing companies have informed me that would do serious damage to their business, and would result in a reduction in their sales. I have no doubt people in Canada will appreciate this privilege; as a matter of fact I want to get a motor radio myself, and while I would rather buy in Canada, yet if I happened to be across the line I cannot say whether I might buy one or not. Do our regulations permit shipments in bond?

Mr. ILSLEY: No.

Mr. MacNICOL: The tourist will have to bring the article back with him?

Mr. ILSLEY: Yes.

Mr. MacNICOL: Under the American regulations they may ship in bond; they do not have to carry the articles back with them.

Mr. BENNETT: But they have to make a declaration.

Mr. MacNICOL: Then could a tourist bring back $100 worth of cigars and cigarettes?

Mr. ILSLEY: No; there is a stipulation in the item.

Mr. DUNNING: The item states what they may bring.

Mr. MacNICOL: A person may bring back $100 worth of goods.

Mr. ILSLEY: There is a proviso in the item which deals with cigars and cigarettes.

Mr. MacNICOL: While there is nothing I can say to stop the regulation I cannot help feeling that it will result in material loss in sales on articles which could be purchased in Canada.

Mr. COLDWELL: I do not believe the regulation will be as costly to Canadian industry as some people believe. I am of opinion that it will save many people from making false customs declarations. Many of the goods which will be purchased are now entering Canada but are not being declared, and in all probability the amount brought in under the new regulation will be so small or so relatively negligible that it will not be of great importance. People will not feel that by bringing articles into the country contrary to regulation they are doing something clever, and in view of the price levels of the two countries, in many respects comparable, I do not believe evils will result which hon. members to my immediate right seem to fear. Speaking on behalf not only of a large number of people in western Canada but of many whom I have met in eastern Canada, may I say that the regulation has been received with great favour. In view of the heavy tourist traffic entering Canada we are liable to be the gainers, because if we do not reciprocate in some way in this connection pressure sooner or later

would undoubtedly be brought to bear upon the American government to discontinue the privilege extended to tourists returning to their country. The matter has already been discussed in the United States, and in all probability this concession might save the people of Canada a valuable asset in American tourist purchases in this country.

A few moments ago reference was made to radios. I believe the majority of radios installed in automobiles and purchased in Canada are produced by foreign companies, many of which are American. To my mind the whole tariff situation in this dominion is one which cannot command support of intelligent Canadians. Actually we are protecting American owned factories in Canada from American owned factories in the United States, and American owners of Canadian factories benefit to the extent of the increased prices equal to the duty charged by Canada. To my mind the regulation represents a step in the right direction; it is welcomed by a great number of people, and I should like parliament to go even one step further and allow the privilege of importing $100 of personal goods to people who can cross the border for only twenty-four hours, or who cannot own an automobile or purchase a ticket to go abroad.

Mr. STIRLING: I wonder if the minister can tell us whether he has made any computation as to the loss in revenue that Canada will suffer?

Mr. DUNNING: We do not know; we have no means of arriving at what the results will be. That is the reason why in a reply I made a few moments ago I indicated that the Department of National Revenue was making special preparations to check the operation of this provision, so that we shall have information in future.

Mr. WALSH: Several municipalities have what are known as sales or turn-over taxes. Of course some people do not think this particular clause is of great significance, but to a large city like Montreal, when we have a condition where tourists going to the United States in considerable numbers are permitted once every four months to bring back $100 worth of goods, a considerable amount of purchasing power is directed into another channel. The result is that not only do the merchants suffer, but the sales tax collected in the city of Montreal, upon which we depend to help pay our way, is being lost. Is the government making any effort to reimburse such cities for the losses they are suffering or to collect a tax from individuals on the amounts purchased to remit to the municipalities or provinces, as the case may be? This matter is of great importance to the larger centres. Has the government anything to say in connection with that phase of the $100 regulation?



Mr. BENNETT: Before the minister answers may I ask this question: Does the $100 pay any sales tax, and does it pay the three per cent excise tax?

Mr. DUNNING: No, neither of them.

With regard to the question raised by my hon. friend from Mount Royal (Mr. Walsh), there is no provision, as I think he knows, for any remission to the municipalities, but when he speaks of any business lost by his city I may say, without having statistics on which I can rely, that I am fairly certain that no city benefits more from the exemption which applies to American tourists returning to their own country than does Montreal. I know from correspondence with merchants in that city that they were very anxious that nothing should be left undone by the Canadian government to preserve for them what they regard as a valuable privilege. They were afraid some months ago, when rumours were circulated about what was going to happen to the privilege accorded to American tourists returning to their own country, and from no city in Canada have I received more representations than from Montreal that the government of Canada should go as far as possible to prevent this privilege to United States citizens being withdrawn, because of the great value it was to the merchants of that city.

Mr. WALSH: I quite appreciate that fact, and I do not want to minimize the amount of revenue obtained by the merchants of Montreal from the tourist trade. It is an important and considerable item, and I quite appreciate that fact. But when the previous government was in office prior to October, 1935, I hardly think that this question of the $100 exemption was raised by the United States. I think it has been raised as a result of the trade agreement. I want to point out to the Minister of Finance through the Chairman, one important fact.

Mr. DUNNING: Before my hon. friend leaves that point, I would say that certainly the $100 exemption was under discussion between the governments of the two countries before we came into office.

Mr. WALSH: But as a result of the negotiations for the trade agreement.

Mr. DUNNING: Yes, of course.

Mr. WALSH: I think it was the negotiations for the trade agreement that raised the point because this exemption granted to returning American tourists has been in effect for a considerable time and there has been no question of doing away with it.

There is one feature of this trade which, I think, should be emphasized and brought to the attention of the Minister of Finance. Purchases made by Americans visiting Canada are of a different category from purchases made by Canadians in the United States. For instance, Canadians going to the United States purchase boots, clothing, wearing apparel and goods of that kind, but Americans for the most part purchase quite differently when they come to Canada.

Mr. DUNNING: There is a very wide range of purchases.

Mr. WALSH: There are major exceptions; there is no doubt about that, but generally Americans purchase, not the products of our factories, but other products of Canada, whereas Canadians go into the United States for the most part to purchase products of their factories, and in that way our working men in this country lose to a certain extent. I do not want to overemphasize a point that might be minor. I do not want to cry havoc in the midst of depression or anything of that sort.

Mr. DUNNING: What does my hon. friend suggest we ought to do?

Mr. WALSH: When the department is giving careful consideration to this enactment which it is suggested they are going to do during the next year, I think attention should be paid to the peculiar features of this interchange of trade carried on by American and Canadian tourists returning to their respective countries in order that the actual effects in connection with the purchases which are made on either side of the border may be noted, so that we may see if there is any difference between purchases made by American tourists in Canada and those made by Canadian tourists in the United States.

Mr. DUNNING: No doubt there is.

Mr. WALSH: And see if our factories are being jeopardized to any extent by purchases made in the United States by Canadian tourists; if there is an overbalance in purchases as between the two countries.

Mr. POULIOT: May I ask the hon. gentleman what experience he has had of purchases made by Americans in Canada and by Canadians in the United States?

Mr. WALSH: I would not like to take up the time of the committee by relating my personal history in answer to that question.

Mr. POULIOT: A very easy answer. Just listen to the hon. gentleman, who is a professor in Montreal. He says that Americans who come here do not buy any goods from our factories but that Canadians who go to the United States buy goods from American factories. What evidence has he of that fact? He knows very well that tourists buy knick-knacks in every country.

Mr. WALSH: I said, "buy the products of American factories," not "buy goods from American factories."

Mr. POULIOT: What is the difference? The hon. member is splitting hairs.

Mr. WALSH: I have not many left to split.

Mr. POULIOT: Do we see any American tourists coming here to buy our raw products? Do they buy and carry back in their cars hides, or flour, or grain, or hay, or straw? No. Our hon. friend is a young man. He comes to this house, and every time he speaks he is a depository of the revealed truth; he is a professor in Montreal. Now he says something very vague, very obscure, something that no one understands, but it comes from him and it must be very deep, just as deep as the deep sea because he said it. It is most interesting because it is so obscure, and if anyone understood what he did mean, it would be zero, nothing.

Mr. BENNETT: It may well be that because of the increased cost of production in the United States this item will not be as serious as it might have been some years ago, but on the other hand the United States did not grant any such concession until after they had, if my memory serves me aright, a population of upwards of fifty millions of people, and successive Ministers of Finance in this country have concluded that it was not possible for us to venture upon the same course without running too great a risk from the introduction of free goods. It will be recalled that during the last few years a bill was introduced in congress to take away this privilege from tourists returning from countries which did not reciprocate, and one of the members from Buffalo in a speech indicated the extent to which the United States market had been lessened by Canadian importations and importations from other than transatlantic countries. I was very much surprised at the extent of this; it was very great. But there had never been any serious threat

of the abrogation of the privilege because to abrogate it in respect to Canada alone would be unthinkable, and the abrogation has been more sought after in regard to even Great Britain and France and Germany than in regard to Canada.

But we have to contemplate this situation. We have, for instance, one cent a pound duty on sugar. It is quite clear that it would be highly profitable from the standpoint of the family budget for many people to import their sugar from the United States to the extent of one hundred pounds, costing $5, because it would escape the payment of one cent a pound to the revenues of this country, and there would be no sales tax and no three per cent excise tax upon it. It would be free of all those duties. There are other items in the same category.

Mr. DUNNING: Will my hon. friend tell me the relative prices of sugar in the two countries?

Mr. BENNETT: I cannot say what the price of sugar in the United States is this week, but it was cheaper there than it was here because we had a one cent tax. That was one of the reasons. I have not the advertised retail prices for sugar in United States towns, but it is to some extent cheaper than in Canada. That is not a matter of very great importance for the moment; it is only an illustration of an item upon which one cent per pound revenue would be lost if the sugar can be brought in. A farmer might bring in only 200 pounds of sugar which would represent an expenditure of something in the vicinity of $10, but this would mean a loss of revenue to this country of $2. The government has not seen fit to repeal that tax of one cent per pound despite all that was said during the elections. That tax still remains as does the three per cent tax, despite all that was said about it. These goods are to come in free of that one cent per pound tax, free of the three per cent tax and free of the eight per cent sales tax. Every $100 worth of goods brought across the line will be free of $8 in sales tax. There are some items exempt from this sales tax, but it will be recalled that they are very few in number. The minister pointed out the other day that there were very few items exempt from the sales tax either partly or in its entirety.

To that extent I think this is a very difficult time to yield to the desire which is always in the mind of every man who travels in another country to bring back goods free of duty. I repeat that we are all glad to know that when you return from another country no question will arise as to the value of your goods. There will be no necessity of keeping invoices or matters of that kind as long as you can satisfy the customs officers that the goods you bring in are worth under $100. As the hon. member for Rosetown-Biggar (Mr. Coldwell) has said, this will result in perhaps a clearer appreciation of the obligations made. There will be no foreign declaration, it is true, but one must not forget what this freedom from sales tax, from the excise tax of three per cent and from the specific taxes will mean. In some items there will be a sales tax of eight per cent, an excise tax of three per cent, and a specific or ad valorem tax of twenty per cent. This might mean a total of $8, plus $3, plus $20, or a total of $31 on $100 worth of goods brought into Canada after a stay of forty-eight hours in a foreign country.

I have been concerned about this. I pointed out in the budget debate that there is nothing new in this matter. A gentleman who was finance minister longer than anyone else in this country was pressed on many occasions to give effect to these proposals. My memory is that the United States proposals have been in force for upwards of thirty years; they were put into effect when their population was over 50,000,000. When this was first done Canada was not particularly concerned; it was more to deal with overseas purchasers. But the situation was changed when tourists began to come into this country in large numbers. It will be recalled that there is a certain type of blanket which is made in this country and which is purchased in large quantities to be taken back to the United States. There are other articles indigenous to Canada.

Mr. DUNNING: Such as furs.

Mr. BENNETT: That is one item I had in mind.

Mr. DUNNING: And china.

Mr. BENNETT: That is much less the case now than it was at one time.

Mr. DUNNING: And linens.

Mr. BENNETT: Since linens have come in free under the British preferential from northern Ireland they have been imported in substantial quantities. I only point out that when Mr. Fielding decided that this privilege could not be granted, he did so for reasons to some extent similar to those I am giving now, although they were more strongly presented at that time by those who discussed the matter with him. Succeeding ministers of finance were confronted with the

same problem, but they felt that they could not accede to the requests for the reasons I have indicated.

From one standpoint I believe that this is an opportune time to enact such regulations. The cost of production of certain commodities is higher than it has been for some time and there will be no incentive to purchase. There are other commodities which can be purchased for the same price and there will be some incentive where there is a specific tax on items such as sugar. The freedom from the three per cent tax is something and the freedom from the ad valorem or specific tax will be substantial. I think the average duty last year on taxable items from the United States and other foreign countries was something in the vicinity of seventeen per cent. That is my memory; I may be under the mark and it may be nearer twenty per cent, although I believe the figure was 17·86 per cent. That was arrived at after taking the figures for a limited number of months. This means that this much revenue will be lost on every $100 worth of goods brought into Canada. While one is delighted to think he can spend forty-eight hours in another country, whether it be Great Britain, France or the United States, and be able to bring back a tankard which does not cost over $100 without paying any duty of any kind, without paying any sales tax or excise tax—

Mr. DUNNING: It amuses me to hear of my right hon. friend bringing in tankards.

Mr. BENNETT: It amuses me too, but it did not amuse me when I had to pay a fifty-eight per cent tax. At any rate, the volume of goods coming in will be very much limited at first.

Mr. DUNNING: It has been so far.

Mr. BENNETT: The reason for that is quite simple. The people have not the cash with which to buy goods. When one buys in this country he can sometimes buy on credit, but when he spends forty-eight hours on the other side, he has to pay his hotel bill and pay cash for any goods he purchases. In certain sections of the country the people have not the money with which to buy, but conditions may change.

As I say, if only half a million people each purchase $100 worth in a year, this means the enormous volume of $50,000,000. It is amazing how rapidly it counts up. Only half a million people, crossing a border 3,000 miles long, buying $100 worth each in 300 days, excluding Sundays and holidays, means that a tremendous volume of trade is affected. Fifty million dollars worth of trade bears an appreciable relation to the entire import trade from the United States during recent years. That is the reason why I ventured to mention the matter in the way I did. I felt that we could not form any estimate by mere conjecture, but the fact remains that if only half a million people cross the border and decide to make purchases amounting to $100 each during the year, the revenues of the country will be tremendously affected. The instruments of production, whether they relate to cotton, clothing, radios, electrical appliances, groceries or food, will be affected also as from the very nature of things, their being produced in the United States, it will be cheaper to buy them there. I say again that this privilege is something we would all desire to have, but I do not think our economic condition is such as to warrant our being able to grant it at this time.

Mr. DUNNING: I think the observations of the leader of the opposition are very much to the point, but there are one or two considerations which I might mention in addition to the one to which he referred. The rising cost of commodities in the United States was very much in the mind of the government. We also considered the fact that because such articles did not pay a sales tax in this country it did not follow that they were free of taxes in another. If I remember rightly there are at present state sales taxes in the states of New York and Pennsylvania. I have not in mind the exact rate levied—

Mr. BENNETT: Two per cent in New York city and two per cent in New Jersey.

Mr. DUNNING: These factors will tend to operate, of course; but in the main it appeared to us to be the time at which we could make this concession, especially having regard to the great desirability of retaining the United States concession in its present form. When it is said, and said truly, that the United States concession to its own citizens has been in effect a great number of years, I would call attention to the fact that it has been seriously hampered by restrictive regulations, until comparatively recent years. It is only in comparatively recent years that we have seen notices in Canadian stores reminding American visitors of their right to return with $100 worth of goods. Formerly the restrictions were of such a hampering kind as to render the privilege not nearly so useful and available to returning Americans as it is to-day.

Mr. BENNETT: The thirty day limit has been in force for some time.

Mr. DUNNING: For a long time. We ask the committee to accept this provision and, as I said before, we are making all arrangements possible to check carefully and completely the manner in which it works. So far we are astonished at the comparatively small degree to which the privilege is made use of.

Mr. BENNETT: Is there any understanding on the part of Americans that they will regard this as satisfactory? I have some reason for asking the question. As our concession was not as generous as theirs, an effort might be made to demand that we should make it so, or they would make theirs as restrictive as ours, on the one hand, as to the period of time within which one had to stay in the country, and on the other as to the number of times in a given year. It must be remembered that the insertion of the forty-eight hour privilege necessitates the Canadian expending money in the United States, which is a factor with respect to invisible balances; and in the second place, the limitation as to three times a year, as against eleven on their part, may afford an opportunity, which some members of congress living in nearby cities have sought, to press that the arrangement should be reciprocal.

Mr. DUNNING: We have no indication of dissatisfaction, and there was no undertaking on either side that the concessions should be either reciprocal or identical. Both countries recognized the different conditions that prevailed on either side and have recognized the right, indeed the necessity, of each being free in the matter.

Mr. STEWART: I should like to have from the minister an explanation of his statement that care was being taken to check up these imports. Is it intended to take an inventory of the goods imported so that they may be classified, and will there be a detailed declaration or something of that sort to enable the department at the end of the year to give statistics covering the different classifications, in regard to food and clothing, for instance?

Mr. DUNNING: That is what is contemplated. So far nine different groupings are being worked out to give the information required. It is impossible to make it applicable to every individual item of the tariff, but so far as groupings can be arranged to give information upon which judgment can be exercised as to the manner in which the arrangement is working, that is being done now.

[Mr. Dunning.]

Mr. STEWART: And the returning tourist will have to make a declaration more or less in detail.

Mr. DUNNING: Yes.

Mr. WHITE: The returning tourist will make his declaration to the frontier officer, who will note the kind and value of the goods declared to him and make a return to the customs house which he serves, and for statistical purposes this information must be compiled.

Mr. DUNNING: That is right.

Mr. LAWSON: Under paragraph (a) of the item with respect to travellers' baggage, under regulations to be prescribed by the minister, are there regulations now in existence or are these regulations still to be prescribed? In either event, is the $100 covered by paragraph (b) of the item in addition to that prescribed by regulations under paragraph (a)?

Mr. DUNNING: The (a) item appeared only because of the redrafting of the whole item consequent on the inclusion of (b). There is no difference at all in the treatment accorded under what is described as (a). It is already in the tariff and is being administered under regulations which have been in existence for a considerable time, and there is no change in what is contemplated under (b).

Mr. LAWSON: With respect to (b), goods valued at not more than $100, included in the baggage accompanying residents of Canada returning from abroad, does that mean that each member of a family returning may bring back a maximum of $100 worth, assuming that they are all returning together?

Mr. DUNNING: That is correct, but they cannot pool it. If my hon. friend has a large family, he could not take them all over and buy a car and pool the $100 for each member of the family.

Mr. LAWSON: There is something else to which I would call attention. Under the last proviso clause limiting the quantities or values of particular goods that may be brought in, there is a provision that exemption shall not be allowed on alcoholic beverages in excess of one quart. Is it not now illegal, by the law of every province of Canada, for a private individual to import alcoholic beverages? If so, I want to suggest something in that connection.

Mr. ILSLEY: That is correct. Under the provincial laws it is illegal for an individual to have in his possession liquor other than that purchased from a liquor commission.

Mr. LAWSON: I fear then that this provision may be the cause of a good deal of difficulty, which I am sure the minister does not wish to see arise. I have always regarded customs officers as law enforcement officers. I am not suggesting by that that they should be policemen and arrest people for offences other than those under the Customs Act; but I have always thought it their duty if, for instance, I were bringing in something which it was illegal for me to have, to prevent me from entering the country with that article. I would have an opportunity of leaving it or going on at my hazard. I have known cases in the past where customs officers have reported to the provincial or local police that in their opinion breaches of provincial law were being made. Here we are providing for each Canadian returning to this country a declaration form, and unquestionably, I take it, there will be printed on that form a copy of these very provisions for the guidance of the returning tourist. I am sure the average layman is not aware of the fact that it is illegal for him to have in his possession in any province liquor not purchased from the provincial liquor commission, and surely he is going to be misled by a statement specifically contained in a dominion law, from which he will draw the conclusion that it is quite right and proper for him to bring in a quantity of alcoholic beverages not exceeding one quart.

Mr. DUNNING: My hon. friend said that he had a suggestion.

Mr. LAWSON: My suggestion is this, alternatively, that in view of the fact that it is illegal according to the law of every province to have liquor in one's possession, surely the words are entirely superfluous. Why not cut them out entirely? You gain nothing by putting this in, and you deceive the Canadian public. The minister shakes his head, but—

Mr. DUNNING: The hon. member says that we gain nothing by putting it in.

Mr. LAWSON: Not by putting it in. I think the Minister of National Revenue (Mr. Ilsley), who is a lawyer, will agree with me—

Mr. DUNNING: Oh, as a lawyer, yes.

Mr. LAWSON: —that if it is illegal for any person to have in his possession in Canada alcoholic beverages not purchased from the liquor commission of the province in which he has them, then obviously your customs official at the border would confiscate alcoholic beverages in the possession of any person endeavouring to import them, or warn him that he must not bring them into the country. Therefore I say that if you leave that provision in, you may be the cause of deceiving some lay mind. In any event I am unable to see where you gain anything by having these words in the exempting proviso.

Mr. ILSLEY: In reply to the hon. gentleman who has just spoken, let me point out the language of the proviso. It is as follows:

> Provided that a resident of Canada shall not be entitled to the exemption herein granted within a period of four months from the date of the last exemption allowed, nor shall the exemption be allowed on alcoholic beverages in excess of one quart.

That proviso has no necessary connection with any other legislation. It has no necessary connection with the legislation passed by the various provinces. All this says is that from this time on we do not propose to allow them to bring in a hundred dollars' worth of liquor. We do not, as a revenue matter, propose to do that, and we have to put that proviso in. So far as we are concerned the exemptions shall not extend to more than one quart of liquor. If the importation of that quart is prohibited by some other law, that is something with which we are not dealing in this particular legislation. The law of a province or any other law of this parliament that deals with the importation of liquor is another matter; it may last a long time or it may last a short time. But our revenue provision, the negative or restrictive provision, enacts that in exercising their right to this $100 exemption travellers shall not expend that full one hundred dollars in liquor; they shall be limited to one quart. Of course if the provinces have an objection to this quart of liquor coming in they may undertake to prosecute, or they may indicate that it is their intention to regard this as an infinitesimal thing, as a mere trifle. If it be their intention to prosecute or to take exception to the admission of this liquor, the returning Canadian cannot bring it in while their law and their attitude remain what they are. But our position is just that we limit that exemption on liquor to a quart.

Mr. LAWSON: It requires no legal argument of the Minister of National Revenue to convince me as to what the provision means. I realized what it meant as soon as I read it. But I say that you are handing to the average man coming back to this country, who is not a lawyer, something to read which he thinks tells him what is legal and what is illegal for him to do in respect to bringing goods into Canada. He reads that he cannot bring in more than a quart of liquor. Does he not naturally infer that he can bring in a quart? I suggest that the department gains nothing

by pointing out to people that qua dominion government you can bring it in, when in truth and in fact, because of the laws of the provinces, you cannot bring it in at all.

Mr. ROSS (Moose Jaw): The provinces may change the law any time.

Mr. LAWSON: That would be easy to provide for.

Mr. WHITE: If the clause were omitted, even though a question were raised by the United States government, in view of the fact that we have these provincial laws, it surely could be satisfactorily answered. The whole point of the Minister of National Revenue is met by striking out the words "in excess of one quart," and simply prohibiting the importation, even to that extent, of alcoholic liquor.

An hon. MEMBER: If that item were struck out and any one of the provinces of Canada changed its law in regard to the importation of liquor by any body other than a liquor commission, I take it that a hundred dollars' worth of liquor could come in.

Mr. LAWSON: No; there would still be a complete prohibition left against bringing in any liquor. If you struck out the words, "in excess of one quart," your section would read, "nor shall the exemption be allowed on alcoholic beverages or on tobacco in excess of fifty cigars," and you make it perfectly plain to anyone who reads it.

Mr. WILTON: There is already evidence that this $100 exemption clause is detrimentally affecting Canada. Canadian newspapers are carrying Buffalo merchants' advertisements opposite railway advertising offering reduced rates from Ontario points into Buffalo on Fridays and Saturdays. The Buffalo business men advertise special bargains and inducements, and as a result Canadians are flocking over in great numbers for the week-ends. The railway companies of Canada, combined with the business men of Buffalo advertising in Canadian papers, are certainly making it hard for our business men.

Mr. DUNNING: Canadian business men have been doing that for years in connection with the American tourist.

Mr. WILTON: It is only recently that Buffalo business men have been advertising in Canadian newspapers offering Saturday bargains.

Mr. LAWSON: I suggest that the minister consider striking out the words, "in excess of one quart."

Mr. ILSLEY: We have considered it.

Progress reported.

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

END OF VOLUME III